TD/B/44/19(Vol.II)

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

REPORT OF THE TRADE AND DEVELOPMENT BOARD ON ITS FORTY-FOURTH SESSION

held at the Palais des Nations, Geneva,
from 13 to 23 October 1997

Volume II

Summary of proceedings

UNITED NATIONS

Distr.
GENERAL

TD/B/44/19 (Vol.II)
19 December 1997

Original: ENGLISH

REPORT OF THE TRADE AND DEVELOPMENT BOARD ON ITS FORTY-FOURTH SESSION

held at the Palais des Nations, Geneva,
from 13 to 23 October 1997

Volume II

Summary of proceedings

Preface

This volume (volume II) of the report of the Trade and Development Board on its forty-fourth session contains the summaries of statements made during the session.

All other matters relating to the forty-fourth session of the Board are to be found in volume I of the report, entitled Report to the United Nations General Assembly*. These include action taken by the Board, the procedural and institutional matters, and diverse annexes.

---

* See TD/B/44/19 (Vol. I).

CONTENTS

Chapter		Paragraphs
	INTRODUCTION	1 - 37
I.	INTERDEPENDENCE AND GLOBAL ECONOMIC ISSUES FROM A TRADE AND DEVELOPMENT PERSPECTIVE: INCOME DISTRIBUTION AND GROWTH IN A GLOBAL CONTEXT (agenda item 3)	38 - 92
II.	REVIEW OF PROGRESS IN THE IMPLEMENTATION OF THE PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE 1990s (agenda item 4)	93 - 173
III.	UNCTAD's CONTRIBUTION TO THE IMPLEMENTATION OF THE UNITED NATIONS NEW AGENDA FOR THE DEVELOPMENT OF AFRICA IN THE 1990s: PERFORMANCE, PROSPECTS AND POLICY ISSUES (agenda item 5)	174 - 196
IV.	TECHNICAL COOPERATION ACTIVITIES (agenda item 6)	197 - 250
	Review of technical cooperation activities of UNCTAD	197 - 228
	Consideration of other relevant reports: Report on UNCTAD's assistance to the Palestinian people	229 - 250
V.	OTHER MATTERS IN THE FIELD OF TRADE AND DEVELOPMENT (agenda item 7)	251 - 277
	Specific actions related to the particular needs and problems of land-locked developing countries	251 - 268
	Progressive development of the law of international trade: thirtieth annual report of the United Nations Commission on International Trade Law	269 - 277
VI.	INSTITUTIONAL, ORGANIZATIONAL, ADMINISTRATIVE AND RELATED MATTERS (agenda item 8)	278 - 284
	Progress report by the Secretary-General of UNCTAD on the trust fund to enhance participation of developing countries' experts in UNCTAD meetings	278 - 284

CONTENTS (continued)

Chapter		Paragraphs
VII.	OTHER BUSINESS (agenda item 9)	285 - 297
	Report of the Pilot Seminar on the Mobilization of the Private Sector in order to Encourage Foreign Investment Flows towards the LDCs	285 - 287
	Commission on Investment, Technology and Related Financial Issues, second session: recommendations of the Commission regarding the convening of expert meetings	288 - 297
VIII.	STATEMENTS MADE AT THE CLOSING PLENARY MEETING ON 22 OCTOBER 1997	298 - 308

Annex

Attendance

INTRODUCTION

Opening statements

1. The **President of the Board** said that the working methods of UNCTAD decided upon at Midrand had been in operation for more than a year, and considerable progress had been made in every respect. The experience so far clearly indicated that the reforms adopted by UNCTAD IX had been well translated into a more effective way of doing business in UNCTAD.

2. The forty-fourth session of the Board was particularly significant in that it would set the tone for activities midway between UNCTAD IX and UNCTAD X. The policy research and analytical work made available to the Board illuminated changes in the global economy and should promote constructive policy dialogue among member States with a view to enhancing the benefits of trade and responding to different and changing developmental needs. They reaffirmed UNCTAD's position as the most appropriate focal point within the United Nations system for the integrated treatment of trade and development and interrelated issues such as investment, technology, services and enterprise development.

3. The ultimate goal of members of the Board was to achieve steady rates of sustained growth in all countries and accelerate the development of developing countries, so that all peoples could enjoy economic and social well-being. The way to bring this about was through concerted efforts involving all countries, Governments, the private sector, NGOs, and international organizations. Since the end of the Second World War, global transformation had brought about a significant shift in international politics, and the impact on each and every country demanded immediate attention and thoughtful analysis. Today's world was still very much a world of vast differences. More than a billion of the world's people still languished in absolute poverty, and rural populations in developing countries still received less than half the income opportunities and social services available to their urban counterparts. Political and economic democracy was still a reluctant process in several countries, and it was therefore essential to cooperate to create a world economy that worked and a global environment that allowed everyone to survive and to enjoy what they produced. UNCTAD could make a unique contribution to the development efforts of all countries, and it was for the membership of UNCTAD, in cooperation with the Secretary-General, to make UNCTAD the place of excellence that it should be.

4. Every epoch bore its own contradictions and dilemmas, but everyone shared the same hopes and fears and the same underlying basic values and moral principles. The main trends marking the end of the century were globalization and interdependence on the one hand and the quest for identity and political and cultural freedom on the other. Change was the sole constant epitomizing the reality of today, and extraordinarily rapid and dramatic internationalization was bringing profound social, political and economic change. The distinctions that had previously marked domestic and international policy were becoming irrelevant.

5. In such a context, efforts must continue to enhance the competence and credibility of the multilateral system in the changing world. This international system was, no matter how imperfect and fragile, a product of the needs and the great ideas of past times, and it should be opened up to ideas and visions of future times. It must be enabled to cope with the new global processes and to

grasp new emerging global issues. That was a complex task, which would take years, and the impetus must come from within and from outside the system.

6. Economic policies operated at the intersection between global trajectories, structural changes and inherent trends, and bridges were needed between the world of ideas and the world of action. It was for member States to assume their responsibilities and provide policy guidance oriented toward action.

7. The **Secretary-General of UNCTAD** said that UNCTAD's utility had been reinforced by the phenomena of globalization and liberalization. As nations struggled to come to grips with global trends and other powerful forces beyond their control, it took a multilateral body with a universal membership and a mandate like UNCTAD's to examine the interdependent nature of complex economic phenomena and propose appropriate measures to policy-makers. In that connection, it was important to demonstrate that the three-tier intergovernmental machinery set up at Midrand could do what it was supposed to do: to allow expert debates, drawing on varied national perspectives, that fed into the Commissions' policy deliberations and recommendations, and for the latter to assist the Board with its overall evaluation of UNCTAD's work and setting of future priorities. The expert meetings were currently proving to be the most interesting part of UNCTAD's intergovernmental work, and the results had been tangible, action-oriented recommendations to the secretariat, with a particular emphasis on policy research and the dissemination of successful experiences. Private sector participation had proved to be an important asset, but it would in future be important to ensure the greater involvement of member States in the preparatory process for meetings. The challenge that lay ahead consisted in determining how to use these positive results in order to reach out to end-users, such as policy-makers and the private sector at the country level.

8. With respect to the Commissions, the experience so far had been more mixed, with much time devoted to procedural and work programme matters and not enough feedback from countries. Perhaps the Bureaus of the Commissions could become the intermediaries between the secretariat and a network of national policy-makers, thus acting as a mechanism for the review of the implementation at the national level of the results of the Commissions and the related Expert Meetings. In facilitating policy formulation within member States and promoting constructive policy dialogue among them, member States and a proactive secretariat both had a key role to play. While the latter helped provide a vision, the former must demonstrate political commitment to reaching action-oriented outcomes with a fair degree of policy content. Otherwise the lowest common denominator syndrome would dominate intergovernmental deliberations.

9. The session of the Board provided a valuable opportunity to consider the policy implications of the phenomenon of the globalization of competition in markets for both traded and non-traded goods. From the debate in the United States on the "fast track", through the policy dialogue in some European countries about reducing historically high unemployment, to the dilemmas facing both reformers in the economies in transition and policy-makers everywhere in developing countries, the challenge of making globalization compatible with domestic social and political stability was a constant element. The session of the Board, along with other multilateral discussions scheduled for the near future, ought to allow considerable progress in consensus-building on issues relating to the implications of competition policy for economic development and their interaction with international trade. To the extent that Governments eventually considered it feasible to pursue international discussions on a multilateral framework on competition policy or some aspects thereof, these

meetings could also serve as a preparatory process for the formulation of views and the identification of areas of interest by countries, and could help to prepare them to participate effectively in a future negotiating process.

10. Globalization carried the potential for raising living standards worldwide, but this could not be the spontaneous outcome of global market forces alone. Biases in the globalization process, particularly those related to trade, might exaggerate the tendency towards polarization by discriminating against the already weak and vulnerable, and a progressive redressing of these imbalances presented a central challenge for the international community. While full integration in the global economy should be the ultimate objective of every economy, liberalization and deregulation needed to be carefully managed, phased and tailored to levels of economic development and the capacity of existing institutions and industries.

11. Greater international flows of goods, finance and investment associated with globalization were not the only basis on which the development process should be judged. The ultimate objective of development policy was to raise living standards for everybody, and measurements of economic performance should thus pay greater heed to growth and distribution; the quality of development efforts must always be stressed. The issue of the links between globalization, growth and distribution should remain on the agenda of the Board, and expert meetings might be needed to deepen the understanding of these links.

12. The reality of the income gap between the rich and poor countries was that much more stark when considering the prospects of Africa and especially LDCs. Three successive years of improved economic performance in Africa had given grounds for more optimism, but the question was whether this recovery was sustainable. There was a need for significant public investment in infrastructure which would help lay the basis for recovery of private investment and a process of diversification. A *sine qua ron* for such a process was removing balance-of-payments constraints and providing debt relief to African countries.

13. Despite reforms undertaken by African countries, FDI in Africa could still be described as too little, too late. Africa therefore required increased levels of ODA, since more investment was required in human and physical infrastructure in order to enhance competitiveness. African countries had come a long way in liberalizing their economies, but rapid import liberalization would have difficulty in enhancing productivity and promoting liberalization when the industrial structure was weak, and in certain cases it could lead to deindustrialization. A balance needed to be struck between food self-sufficiency, surplus extraction, price incentives and income security.

14. With respect to development in LDCs, many had recorded real increases not only in output but also in per capita income. Sustaining the recovery would require greater attention to institutional and sectoral reforms, and in most LDCs the area in which those reforms were likely to have the greatest impact was agriculture. The initiative adopted by the G-7 Summit in Denver on Africa and the recent declaration of the Security Council were welcome developments requiring speedy implementation.

15. There had been a reduction in ODA flows to LDCs in real terms during the 1990s, but these countries needed ODA for capacity-building and the establishment of basic physical and institutional infrastructure. FDI could not replace ODA. The external debt situation of LDCs continued to be a matter of great concern, and the effectiveness of the heavily indebted poor country (HIPC) initiative

would depend on speed of implementation, the flexibility of the eligibility criteria, the target ranges, and the extent of debt relief provided. Timely funding of the initiative, as well as the incorporation of human and social development factors into the concept of debt sustainability, would also be important for LDCs. An explicit link between debt relief and poverty reduction was required.

16. Economic and social regress had major consequences for LDCs, for their regional partners and for the development strategies pursued by aid donors and the international community. In some LDCs, the displacement of significant segments of the population and post-conflict problems such as the presence of land mines meant that the cost of recovery would be extremely high. Effective action to tackle that problem would require the investment of substantial resources by the international community to strengthen institutions and the state structure in LDCs, support peace-building and provide humanitarian assistance.

17. At the recent joint annual meeting of IMF and the World Bank in Hong Kong, which had taken place under the shadow of severe disorder in the currency markets of a number of Asian countries, he had pointed out that even the most spectacular growth for decades was no guarantee of immunization against the risk of a sudden and serious setback, but that was no reason for any negative diagnosis. On the contrary, it was a reason to stress even more the scope that still existed for improving growth in industrial economies in general and also in many developing countries. What was needed was faster investment, because what made for a successful open market economy was the initiative of entrepreneurs as reflected in high rates of saving and investments from profits, which would provide employment and enhance living standards for all income groups.

18. The recent performance of the United States economy demonstrated that faster growth, job creation and stable prices could be mutually consistent goals for policy-makers. To achieve that, carefully phased integration into the world economy in line with economic and institutional capabilities appeared to be the most realistic and feasible strategy for most developing countries, but such efforts should be accompanied by an accommodating global environment.

19. The recent re-emergence of major trade imbalances among the major industrial countries was a matter for concern, and the burden of adjustment had to be borne by the surplus countries through an expansion of demand in those economies, rather than monetary tightening elsewhere.

20. The events of recent months had drawn attention to the purely disruptive effects of volatile international capital movements in a global financial market. The increase in IMF resources and the HIPC initiative were encouraging, but in the absence of a broad international consensus on how to curb volatile capital movements, a reasonable degree of flexibility regarding measures to deal with inward and outward capital movements remained essential for the national authorities of developing and transition economies.

21. With regard to investment, the UNCTAD secretariat was devoting more and more attention to the development perspective, the possibility of a multilateral approach to facilitating FDI flows, and practical measures to provide investment guides for LDCs. With respect to trade, the secretariat was focusing on what should be done in terms of trade liberalization, in particular on the issue of tariff peaks and tariff escalation, the challenges for the developing countries in the inbuilt agenda from the Uruguay Round, and the identification of a positive trade agenda for developing countries.

22. Finally, with regard to the High-Level Meeting on Integrated Initiatives for LDCs' Trade Development being organized by WTO, UNCTAD had been contributing actively to the preparation of the Meeting, and it was hoped that the international community would provide the support necessary to help those countries to put in place the structures necessary to take advantage of the opportunities created by globalization. In that connection, the first integrated programme for an LDC had been launched in Bangladesh three weeks before. He hoped that the Board's session would promote an approach based on action and constructiveness which would lay the ground for the consensus that was needed in terms of development for all men and for man as a whole.

23. The spokesperson for the **Group of 77 and China** (Pakistan) said that profound changes were taking place in the manner in which goods and services were produced, distributed and exchanged. Technological breakthroughs were altering the contours of the global economic landscape, and political and legal frameworks were being rapidly transformed. Choices were being made which would shape the nature of the world well into the next century, and those choices depended on an understanding of the nature of current transformations. Unqualified optimism about globalization and liberalization could not be a substitute for sober economic analysis.

24. There were several reasons for optimism. Firstly, there had been remarkable growth in trade and investment flows in recent years. Secondly, there had been a degree of convergence between the developed countries and a number of developing countries. Thirdly, technological developments had created exciting possibilities for developing countries to leapfrog entire stages of development. Finally, liberalization had by and large promoted growth and prosperity.

25. However, a more complete analysis of the global economy indicated that the increased trade and investment flows had bypassed the majority of developing countries and that the gains from liberalization of trade had been disappointingly asymmetrical, with only slow progress in areas of particular interest to developing countries. Economic convergence was fragile, and the few rapidly growing developing economies remained vulnerable to external factors. The embrace of free markets had been accompanied by a slow-down in global economic growth, income disparities amongst and within countries were increasing, and in many countries there had been an erosion of the middle classes, with inevitable negative implications for the stability of democratic systems. In addition, the fascination with new trends might have reduced the compulsion to resolve long-standing structural impediments to development, as a result of which most developing countries could not participate effectively in global economic relations. Finally, most developing nations remained mired in poverty, particularly the least developed countries, whose share in world exports was less than 0.4 per cent and whose external debt continued to grow.

26. In the circumstances, assertions that new advanced technologies, especially in information and communications, offered the path to a developmental nirvana for third-world countries appeared overly optimistic. For example, 99.6 per cent of Internet host computers were located in the developed countries, and the magic of cyberspace alone would not enable developing countries to join the ranks of the developed countries rapidly.

27. The economic forces unleashed in recent years constituted a veritable revolution, but those forces by themselves would not lead to unprecedented and universal development. The industrial revolution had unlocked tremendous

productive capacities but had also resulted in grave inequities and suffering for many years, and it had only been as a result of the sustained struggles of the dispossessed and marginalized that the benefits of the new modes of production had been spread in a more equitable manner. In the new economic era, it was essential not to repeat the experience of uneven growth, widening disparities and violent divisions and conflicts. The first victim of the emerging global asymmetries would be open, rule-based international trade, and a reversion to protectionism and economic frictions, with the accompanying slump in global economic growth, could signal a meltdown of the multilateral economic system.

28. A number of important measures needed to be taken. Firstly, the developed countries should adopt more vigorous growth policies in order to overcome their own structural problems and contribute to a global economic revival by providing larger opportunities for trade and growth to developing countries. Secondly, there should be a concerted effort to address the long-standing issues of debt burden, access to technology and availability of development finance. Thirdly, the inequities in the international trade regime should be corrected, with more rapid liberalization in such areas as textiles and the movement of natural persons; all new liberalization initiatives must be evaluated within a developmental perspective. Fourthly, the principle of preferential treatment for developing countries must be reinforced and operationalized. A level playing field would not ensure fair competition if the participants had vastly unequal endowments. Non-reciprocal market access, adequate transitional periods and financial and technical assistance for developing countries were essential. Fifthly, the "big bang" approach to economic liberalization entailed considerable costs for the weaker economies, and these countries should have the right to decide on the pace and sequence of liberalization measures. Finally, the forces of protectionism in the affluent economies must be boldly confronted, and concerns regarding labour and environmental standards should be addressed, since to allow their linkage with trade would result in a new protectionism, trade retaliation and the ultimate breakdown of the multilateral trading system.

29. UNCTAD was uniquely placed to assist member States, especially the developing countries, in making the transition to a new economic area through its analysis and identification of policy options. That capacity needed to be strengthened by ensuring greater participation of developing countries in expert meetings and adopting meaningful conclusions in the organization's policy bodies. Greater efficiency could not be achieved by an unhealthy obsession with procedural deficiencies in the intergovernmental machinery and by an avoidance of serious discussion on substantive issues.

30. The representative of **Luxembourg**, speaking on behalf of the **European Union**, said that the European Union was profoundly attached to the principles embodied in the final outcome of UNCTAD IX. The past year had served as a trial period for the reformed intergovernmental machinery established at UNCTAD IX, to which the European Union attached great importance in terms of the respective roles of expert meetings, the Commissions and the Board itself. It was therefore expected that the Board would take into account the concerns expressed in the course of the year and make suggestions with regard to both the calendar and the methods of work for the year ahead in the run-up to the mid-term review. The European Union looked to the President of the Board to undertake informal consultations to identify ways of improving the functioning of the intergovernmental machinery and to report to the sixteenth executive session of the Board.

31. The European Union also wished to emphasize the importance it attached to UNCTAD's work on the least developed countries. It was concerned at the precariousness of those countries' situation in international trade and the difficulty they experienced in attracting foreign investment. A great deal remained to be done to facilitate the integration of these countries into the global economic system. In that connection, the European Union welcomed the convening of the High-Level Meeting on Integrated Initiatives for Least Developed Countries' Trade Development immediately after the Board and would provide its full support for the active participation of the UNCTAD secretariat at that meeting and in the subsequent follow-up.

32. The European Union also supported the efforts of the Secretary-General of UNCTAD to enhance the participation of civil society in UNCTAD activities and to build a lasting partnership for development between non-governmental actors and UNCTAD. That initiative was fully in line with the European Union's approach to development whereby men, women and children were considered the actors and not the objects of the development process. The European Union favoured the participation of civil society in development and development policy-making, the aim being to promote broad-based participation and social dialogue.

33. The spokesperson for **Group D** (Bulgaria) said that the Board's forty-fourth session was its first substantive session since Midrand, and he was sure that concrete and valuable results would be achieved at the session, which could be of crucial importance for the future activity of UNCTAD in terms of giving the organization a new modern look and embodying the Midrand philosophy in its work.

34. The spokesperson for the **least developed countries** (Bangladesh) said that flows of trade, technology, information and capital had caused the world to become more integrated, but for a large portion of the globe that was no reason for rejoicing. In the least developed countries, which represented nearly 10 per cent of the world's population, ODA flows had declined and the LDCs' share of world exports had fallen to 0.4 per cent. They therefore perceived themselves as being increasingly marginalized. In addition, the income disparities between LDCs and both the industrialized countries and other developing countries had increased. Living standards in the LDCs had been affected dramatically, and some LDCs were even threatened by the phenomenon of regress, which could set in unless corrective measures were taken immediately.

35. The reasons for the marginalization of the LDCs lay in a number of factors: the structural characteristics of the world economy, whereby capital tended to gravitate towards countries with more highly skilled work forces and a good infrastructure, rather than towards countries with low wages; declining commodity prices for the main exports of LDCs and an external debt burden which had risen to unsustainable levels; the economic policies of the LDCs themselves, which at times failed to give sufficient incentives to exporters, farmers and the private sector in general; and the more fundamental institutional and social problems afflicting many of the LDCs, particularly the erosion of the state structures necessary to support a modern economy, and in some countries their complete collapse amid civil strife and its aftermath, including problems such as the presence of land mines. No single solution could suffice in tackling such problems, but what was clear was that a comprehensive approach was needed involving a commitment to policy reform within the LDCs themselves, a substantial increase in the technical and financial assistance provided by their development partners, and meaningful debt relief.

36. The LDCs were not without potential and could be a source of innovative ideas and concepts, one example being the micro-credit mechanism. LDCs could begin to break out of the trap of marginalization, and there were several instances in Africa and Asia where a combination of domestically initiated economic reform, peace and stability, had brought about sustained economic improvement. However, the LDCs would require time, support and understanding.

*

* *

37. At its 886th (opening) plenary meeting, on 13 October 1997, the Trade and Development Board paid tribute to the memory of Mr. Clodomiro Almeyda of Chile, President of the third session of the United Nations Conference on Trade and Development, held in Santiago in 1972, and Ambassador Hortencio Brillantes of the Philippines, President of the Trade and Development Board at its eleventh session.

Chapter I

INTERDEPENDENCE AND GLOBAL ECONOMIC ISSUES FROM A TRADE AND DEVELOPMENT PERSPECTIVE: INCOME DISTRIBUTION AND GROWTH IN A GLOBAL CONTEXT

(Agenda item 3)

38. For its consideration of agenda item 3, the Board had before it the following documentation:

Trade and Development Report, 1977 (UNCTAD/TDR/17 and Overview)

General debate

39. The **Officer-in-charge of the Macroeconomic and Development Policies Branch**, introducing the item, said that the *Trade and Development Report* had empirically established that the income gap had been growing both between poor and rich countries and between poor and rich people. The *Report* did not assert that inequality was the result of the globalization process as such. Rather, it said that, contrary to original expectations, the greater integration of markets had reinforced an ongoing tendency for income gaps to widen. The *Report* further said that inequality did matter, because it could endanger not only political and social stability, but also the globalization process itself by triggering protectionist tendencies, thereby nullifying the gains from positive elements of policy reforms in developing and developed countries.

40. The *Report* did not advocate redistributive policies as a remedy against widening income inequalities. Rather, it argued that increasing income gaps could not be bridged unless growth was accelerated. Capital accumulation must consequently be put at the top of the policy agenda. The *Report* argued that this could not be left to market forces alone. A much greater role needed to be played by Governments in accelerating growth and reconciling it with greater equality. This called for translating a large part of profits concentrated in the hands of a few into investment and growth. It also called for the proper management of integration to ensure that it did not simply result in the destructive forces of global competition gaining the upper hand over its creative forces. The *Report* drew lessons from the experiences of successful East Asian and Latin American countries in these respects.

41. For policy efforts to yield benefits in the South, there was a need for a more accommodating global environment. In particular, biases in the globalization process, particularly those related to trade, were exaggerating the tendency towards polarization by discriminating against the already weak and vulnerable. A progressive redressing of these imbalances presented a central challenge for the international community.

42. The *Report* argued that the world trading system was unlikely to move in the right direction unless the labour market problems in the major industrial countries were resolved. Achieving a rate of growth sufficient to deal with high unemployment and wage inequality in these countries was not only desirable in its own right, but was also essential for defusing the threat of a popular backlash against free trade.

43. The spokesperson for the **African Group** (South Africa) said that the *Trade and Development Report* (TDR) had made many positive observations concerning Africa. Most importantly, the decline in real per capita income had been reversed for the first time in the decade, and this was reflected in continent-wide developments involving all subregions. National Governments had been implementing new development plans and reorganizing national policies in a manner which took into account the globalizing world economy and the need to liberalize, to attract foreign private capital, to meet infrastructure needs, and to cement regional economic ties.

44. The purpose of the discussion at the Board was to investigate various aspects of interdependence, including the question of whether international economic policies would support or undo reform efforts in Africa and whether the fragile recovery in Africa would convince other countries that support measures were now needed more than ever.

45. The analysis in the TDR, which contained interesting data on the changing positions of African countries in the global distribution of income between 1965 and 1990, provided a reminder that, if liberalization efforts did not improve both levels of income and its distribution, social pressures might force a reversal of reform in many countries. Africa was particularly dependent on a favourable international economic climate for maintaining and improving its growth rates, and in the absence of such a climate the continent would fall still further behind.

46. Two sets of factors were especially important in redressing income inequalities. Firstly, international economic growth, which crucially affected Africa's prospects, was nevertheless outside its influence, since it reflected policies of the major economic powers. At present such growth was too slow, and this pointed to the need for a change in policies in Africa's partners. Secondly, other obstacles threatened increased participation by Africa in the international economy. These included the debt overhang, declining ODA, the unequal opening of markets to Africa's exports, and social, educational and infrastructural weaknesses. Income inequalities within and between countries would not be improved if these two sets of factors were not addressed.

47. The spokesperson for the **Asian Group and China** (Sri Lanka) said that globalization had increased opportunities for growth and development but had also added new complexities and risks to the task of managing global interdependence. In many parts of the world there was a feeling of uncertainty over the future and a consciousness of increased marginalization and injustice. Growing disparities might breed despair, and the feeling of injustice could lead to conflict and violence.

48. The reduction in the share of employment in manufacturing and unemployment of unskilled labour in the advanced countries were normal features of technological progress and economic development rather than the result of imports of labour-intensive manufactures from emerging economies. The appropriate policy response was to eliminate structural rigidities and to provide education, training and social safety nets. Despite the increase in world trade, a large number of developing countries continued to experience economic stagnation, with the accompanying danger of marginalization. Many developing countries had not as yet benefited from globalization in a way that would permit either an overall increase in living standards or a significant reduction of poverty. While globalization had had positive effects on incomes in some developing countries, it had also caused polarization between rich and poor countries. In order to

avoid a political backlash, national Governments and the international community had to acknowledge that globalization should proceed in a socially acceptable manner. The question of income distribution deserved very careful attention in the future, not only in its own right but also because, as shown in the *Trade and Development Report*, there was a close link between income distribution, investment and growth.

49. Growth was a prerequisite for a reduction in income disparities, and the level of domestic savings and the way that high incomes were used by those who received them were major determinants of economic growth and development. Industry and agriculture, and investment in real productive capacity, needed to regain their dominant role in economic activity, which they appeared to have lost to finance. Government policy had a decisive impact on the level and structure of capital formation.

50. Developing countries needed to be given a fair chance to benefit from their comparative advantages in the globalizing world economy. However, liberalization in areas where many developing economies had such advantages had proceeded slowly. In order to sustain the liberalization process and to avoid macroeconomic instability in the developing countries, their exports should be given increased market access in developed countries, including access on a preferential basis.

51. A return to faster growth and a quick solution to the persisting problem of unemployment in a number of developed countries were also essential for the creation of a more accommodating environment for developing countries. The developed countries should acknowledge the need for structural change without aborting the growth of world trade. Sound domestic policies in developing countries alone would not be sufficient, because the world's financial markets were imperfect and volatile and because the predatory behaviour of wealthy speculators could play havoc with vulnerable developing countries. Concerted international support should be organized to defend developing countries following sound economic policies.

52. Developing countries should be aware not only of the potential of globalization and liberalization, but also of its adverse implications. Countries aiming at WTO membership should be given the opportunity to achieve accession to WTO on balanced terms. Developing countries had to strike a balance between the requirements of international economic relations and their national interests, and should be permitted to proceed with economic liberalization at a pace which took account of their needs and stage of development.

53. Successful exploitation of the opportunities of globalization required careful management, more concern for global equity, and international cooperation to remedy disequilibria in the existing system.

54. Finally, future sessions of the Board should be arranged in accordance with the understanding reached at Midrand in April 1996 that the duration of the Board's session would be not less than 10 days.

55. The spokesperson for the **Latin American and Caribbean Group** (Peru) said that the crisis of the 1980s, together with other major political and economic changes since that time, had compelled countries to undertake reforms aimed at strengthening market institutions and competitiveness in a framework of liberalization and greater openness. The functions of the state were more circumscribed than in the past, but it was now time to reassess its role in the

age of globalization. Extreme positions which pointed towards a withering of this role or overstated the potential of domestic macroeconomic policies, while ignoring the need for international cooperation and coordination, were to be avoided. The experience of structural adjustment programmes in Latin America showed that it would be a mistake to leave the state with only social, as opposed to economic, functions. Adequate policies were necessary not only to maintain macroeconomic stability and to promote growth but also to achieve desired goals regarding employment and income distribution.

56. Globalization involved risks as well as opportunities, and the present session of the Board could contribute to the search for ways to foster countries' insertion into the global economy in a way that avoided excessive social costs and marginalization.

57. The representative of **Luxembourg**, speaking on behalf of the **European Union**, said that, in comparison to the analysis of other international organizations, Part One of the TDR was pessimistic, one of the few positive elements being the confirmation of the increase of per capita GDP in Africa. In Europe, there were signs of growth resulting from sound fiscal policies that had led to greater exchange-rate stability, and European countries were also engaged in a gradual reduction of unemployment.

58. The data on inequality presented in the TDR were a reason for concern, and poverty alleviation was a major objective of the development policy of the European Union. The relationship between globalization and growth, on the one hand, and disparities among countries, on the other, merited further research. Even more importantly, appropriate measures to deal with inequalities within and among countries needed to be identified.

59. There was a consensus that growth was now directly related to integration into the world economy through the liberalization of trade and investment, which allowed the transfer of technology and knowledge and led to better resource allocation, greater competitiveness and access to foreign capital.

60. If growth was to contribute to a reduction of income inequalities, it had to be equitable and broad-based. To this end, structural and institutional reform had to be brought into line with social development objectives. This required a strengthening of the positive links between economic growth and social progress and a consolidation of democratic structures. There was also a need to take account of the specific constraints facing the least developed countries, such as supply bottlenecks, structural fragility of external trade and of market organization, weak institutional and administrative capacity, and the vulnerability of certain socio-economic groups.

61. The representative of **Switzerland** underlined the importance of distinguishing between the processes of liberalization and globalization. Trade liberalization was a policy choice made by individual Governments, as were its speed, its scope and the principles governing its application. Globalization was neither a choice nor a policy but a process arising out of the interaction of trade and other government policies, technological progress, and the behaviour of firms and consumers. If this distinction was accepted, the aim of the Board's discussion should not be to look for ways to slow the process of globalization but rather, as agreed in Midrand, to respond to the challenge of globalization by creating conditions making it possible to reduce economic and social inequality within and among nations by promoting trade and investment. In this

context, particular attention should be given to Africa and to least developed countries.

62. The question to be considered was not personal preferences regarding globalization. Since Midrand, UNCTAD had started making a contribution towards the effective implementation of adjustment efforts in a globalizing economy at minimal social cost. The preconditions for prosperity and growth were basically the same for developed and developing countries, and the latest economic research confirmed that, whenever a country tried to turn inwards or postpone structural adjustment, the economic and social costs were disastrous.

63. The functioning of UNCTAD'S new intergovernmental structure should play a crucial role in translating the spirit of Midrand into concrete actions. This structure consisted primarily of the Commissions, which should develop clear policy guidelines for Governments and in particular examine the results of meetings of expert groups and draw the necessary lessons. Commissions should also identify areas where technical assistance needed to be strengthened with concrete projects. In line with the agreement reached at Midrand, Switzerland had created a fund to channel the financing of technical assistance activities, but effective funding required a transparent institutional environment, and for this the Board must give the Commissions the necessary support. Finally, his delegation strongly supported the Secretary-General of UNCTAD in his efforts to restructure the secretariat.

64. The representative of **Brazil** said that, viewed from a long-term standpoint, globalization was a cultural as much as an economic process, and one whose rapidity was due to profound technological changes, particularly in the area of new information technologies. In the past, people and civilizations had been greatly affected by instability and inequalities associated with social transformations during phases of rapid globalization, and the present phase was no different.

65. The Charter and the organs of the United Nations could be powerful instruments for channelling the forces of globalization towards greater convergence with regard to its benefits, while minimizing the risks of exclusion and marginalization. In that context, UNCTAD should continue to be strengthened and modernized so as to fulfil its role as the main universal forum for the consideration of economic and social issues. In accordance with the Midrand Declaration, UNCTAD should continue to explore avenues for promoting capacity-building at both the government and the enterprise level and to enable developing countries, particularly the least developed ones, to attain a more significant place in world trade and financial flows, as well as to play a more active role in future negotiations on these matters. Brazil and other Latin American countries were fully aware of the benefits and challenges of globalization. The task was to overcome impediments to the former.

66. The Brazilian economy had recorded several positive achievements since the implementation of its stabilization policy in 1994. Low inflation had helped increase the purchasing power of the population and reverse the trend towards lower standards of living, though trade liberalization had resulted in a sharp increase in imports as well as a deficit in the trade account. The increase in the minimum wage had helped improve income distribution, though fiscal adjustments and structural reforms were still incomplete. Generally, the outlook for the future was positive.

67. Regional agreements such as MERCOSUR allowed developing countries to manage globalization and interdependence more successfully. An open regionalism compatible with Brazil's other international commitments would facilitate the country's transition to greater openness.

68. The representative of **Turkey** said that excessive optimism about the development effects of globalization had been replaced by a more nuanced view in light of the fact that only a small number of developing countries had obtained the rate of economic growth necessary to reduce unemployment and to allow equitable income distribution, as well as the fact that the growth performance of developed countries had fallen short of expectations. The opportunities created by globalization had to benefit everybody, and the risks and dangers associated with it had to be managed and minimized. One of the main challenges was to avoid the danger of social fragmentation. ECOSOC had recognized the dangers of marginalization between and within countries, stressing that increased competition in a liberalized world economy called for greater concern about social equity. Governments had a crucial role to play in creating the infrastructure and rules needed to reconcile the creative forces of the market with the needs of the disadvantaged. It had increasingly been recognized that macro-economic stabilization and liberalization were not sufficient to ensure social progress or to compete on global markets more successfully, and many developing countries were currently facing difficulties trying to manage profound economic changes with weak institutional structures.

69. The representative of the **United States of America** said that developing countries were already benefiting greatly from globalization. He drew attention to the large flows of FDI to these countries and its growing contribution to fixed capital investment, as well as to the fast growth in trade and GDP in many of these countries (including recently some in sub-Saharan Africa). The opportunities presented by globalization were growing rapidly, and Governments should create a policy and regulatory environment which would allow their countries to take advantage of these opportunities. Experience had shown that open markets, a strong financial sector, sound economic policies, and public investment were crucial in this respect.

70. Absolute income equality within a country was not a useful goal, since some degree of income dispersion provided valuable incentives. It was interesting, therefore, to pose the question of how much inequality should be considered optimal, and one answer might be the amount associated with maximum output. There was a fairly broad consensus that the causes of greater income inequality in the United States included the downward pressure exerted on the wages of certain groups by rapid technological change, freer trade, increased immigration, the increased number of women in the labour force, and the decrease in the power of trade unions. If these factors were the causes of increased inequality, then they raised further questions about the balance between the costs and benefits of inequality.

71. With regard to inequalities between countries, it was important to consider a country's absolute income as well as its relative position among countries, because there were cases where a country might have slipped in comparison with others but nonetheless its living standards had improved in comparison to earlier periods.

72. The **Secretary-General of UNCTAD**, responding to the statement of the United States, said the TDR had made the point that unequal distribution of income could play a useful role to the extent that it was associated with high

profits used to generate increased investment and thus additional employment and economic growth. If this nexus between profits and investment applied, then there was social justification for a degree of income inequality.

73. The representative of **Romania** said that action by the international community was essential to create the necessary conditions for the investment and trade flows which would contribute to overcoming economic and social disparities between and within countries. UNCTAD had a useful role to play in this respect and should continue to analyse and make available data on the experience of successful developing counties, as well as on the lessons which both developing countries and economies in transition could learn from these success stories. At the same time, UNCTAD should help these countries to take advantage of globalization, while avoiding its risks, by implementing the recommendations of the final outcome of UNCTAD IX.

74. The representative of **Mexico** noted that, according to the TDR, the world economy in recent years had been characterized by slow growth and increasing inequality. This was in contradiction with forecasts made some years ago that increasing global competition would generate more rapid growth and a convergence of incomes and standards of living. In an increasingly asymmetric world, income distribution was determined by both external and internal factors, and globalization had had different effects on national economies according to their degree of development and their participation in the world economy. Mexico understood this process as an inescapable reality associated with many opportunities.

75. Among the strategies currently discussed to achieve viable and sustainable development in Latin America, he drew attention to the process of economic integration, regular access to external financing, complementing the inflow of foreign capital with productive investments, creating mechanisms that would provide protection against unexpected movements of foreign capital and promote internal savings, finding durable solutions to the problem of unemployment, fostering the application of technological innovation to productive activities, and establishing programmes that would combat severe poverty. Regarding UNCTAD's role, UNCTAD should participate more actively in efforts to achieve greater coherence of global economic policies, together with the International Monetary Fund, the World Bank and the World Trade Organization, promote the development dimension in international negotiations on trade and investment to seek a better balance of rights and obligations, and carry out economic and social analyses with a view to formulating recommendations aimed at reducing the growing global disparities and helping to realize the right to development.

76. The representative of **Ethiopia** stressed that 1996 had been marked by a slowdown in the growth of world trade attributable to a dramatic fall in the prices of the non-oil primary commodities on which many African countries were dependent and to a continuing decline in ODA. African imports had decreased substantially, and this had also had a negative impact on capital formation.

77. Economic progress in Africa continued to be handicapped by a heavy debt burden, particularly in the case of the least developed countries. One solution to this problem would be the rapid implementation of the HIPC initiative launched by the World bank and the IMF. Bridging the gap between the poor South and the rich North would be one of the main challenges facing the international community in the next millennium. Unless the greater opportunities brought by globalization resulted in the equitable sharing of global prosperity, the poorest countries would face further marginalization.

78. While the TDR's findings and analysis were correct, one weakness of the *Report* was its silence on the impact on poverty of the increasing tariff and non-tariff protection imposed by industrial countries on imports from developing countries. In order for the economic reform programmes currently being implemented in developing countries to yield the expected results, a favourable international economic environment and related support measures had to be in place.

79. The representative of **India** said that the process of globalization was simply a fact that had to be faced, but the TDR provided a warning about the kinds of adverse impacts that globalization could have. With respect to inequality within and among countries, a reasonable objective was not complete equality, which would not be realistic, but rather the improvement of the living standards of people in developing countries in a sustainable manner. With the continued growth in inequality, there was a real danger of a political backlash against liberalization and deregulation. The TDR noted this when it drew attention to the fact that slow economic growth and increased unemployment and trade imbalances could make it difficult to avoid trade frictions.

80. The representative of **Senegal** said that the recent rise in Africa's growth rates should not mask the fact that many difficulties persisted, and inequality in the African context threatened stability. The continued exposure of Africa to an overwhelming debt burden was a critical issue in need of resolution, though the recent IMF/World Bank HIPC initiative offered hope in this respect. Another consideration to be borne in mind when designing a development strategy for African countries was the persistent drop in the world prices for primary products, upon which most developing countries continued to rely for export earnings. UNCTAD should examine the lessons that could be learnt from the experience of successful East Asian countries and applied to other countries, but the particularities of individual countries must be borne in mind in making recommendations.

81. The representative of **Belarus** said that, in the 1990s, globalization and liberalization had promoted economic development in some countries but not universally, and the economies in transition were among the exceptions. The transition from central planning to a market economy required institutional and legal reforms and was made more difficult by both internal and external factors, including the disruption of traditional economic links, the lack of natural resources, the growth of protectionism, and the lack of financial resources for modernization.

82. The recommendations of the TDR, especially in areas such as profit regulation and income distribution, were of interest to Belarus, whose economic policy was oriented towards the creation of an open and socially oriented market economy, combining a flexible macroeconomic policy with state regulation of key economic processes.

83. Consideration should be given to the new opportunities for trade promotion after the completion of the Uruguay Round, and UNCTAD should be more active in investigating such possibilities, as well as in providing assistance to interested countries. The GSP should be revitalized by expanding its coverage to new items and areas, including services and investment.

84. The representative of **Egypt** said that globalization was having a number of repercussions, one of which was the marginalization of developing countries

in general and of least developed countries in particular. In order to assist developing countries in meeting the challenges of development in the face of globalization, developed countries should take action to fulfil their obligation under international agreements to channel 0.7 per cent of their GDP into ODA. Although some developed countries had met this goal, most large developed countries had fallen far short of it. The terms of the WTO agreement regarding the problems of net food-importing countries should also be fulfilled, and trade liberalization should not be subject to any new conditionalities. Finally, there needed to be coherence and complementarity between the roles of UNCTAD, WTO, IMF, and the World Bank with regard to development issues.

85. The representative of the **United States**, responding to comments made by other speakers, said that inequality could indeed be important, especially in extreme cases where it could actually lead to conflict. His message was that if absolute income equality was counterproductive in terms of incentives, and if extreme inequality was also undesirable, then there had to be an optimal degree of inequality somewhere between these two states. With regard to inequality within countries, there had been signs of improvement in many developing countries during the period of globalization compared to that preceding it. In the latter period, there had been two groups, the rich and the poor, with the former getting richer and the latter poorer. Now, in many developing countries, some of the poor were joining a growing middle class, and this was an improvement.

86. The representative of **Japan** said that the developing countries' participation in the global trading system contributed both to the improvement of worldwide welfare and to their own economic development by activating the domestic economy through a more efficient allocation of resources based on comparative advantages, thereby enhancing job creation and poverty alleviation. With the globalization of economic activities progressing at a rapid pace, the role of investment in revitalizing the world economy was likely to increase further. Indeed, the reality of today's world was characterized by fierce competition between countries for export competitiveness and to attract foreign investment. What divided the more successful countries from the less successful in this competition was nothing but the self-endeavour of policy-makers and nationals to improve the competitiveness and attractiveness of their own economy. It was in this context that Japan expressed its concern about the scarcity of investment flows from private sectors into developing countries. For various reasons, developing countries might be inclined to impose requirements on foreign direct investment. Unjustifiable or unnecessary restrictions would not only result in allocative inefficiency but would discourage foreign direct investment itself from the private sector. It was, therefore, extremely important for national Governments to adopt domestic investment policies based on the multilateral principles of liberalization and equal treatment.

87. The *Trade and Development Report 1997* (TDR) drew attention to a number of controversial points. It stated that "the result of establishing institutional arrangements that severely restrict the role of markets and private property ... has in many cases been a loss of dynamism and eventual stagnation," but such fundamental analyses drew less public attention because they were not new, and the statements describing the negative effects of globalization seemed to have won more public interest. He cautioned against a sole emphasis on the negative aspects of globalization, which could trap people into a wrong perception of the reality of the world economy today.

88. The TDR stated that developing countries could only achieve integration into the world economy in "a carefully managed and phased" manner, "tailoring the process to the level of economic development in a country and the capacity of existing institutions and industries". It was a matter of legitimate concern for every Government to look after the welfare of its own nationals, bearing in mind the country's state of development. However, if a country tried to manage or restrict the process of integration, it should also bear in mind the consequences, i.e. trade and investment from private sectors would flow out to freer and more unrestricted countries. In addition, today's globalization had been a spontaneously ignited process, and no one could really estimate what its future course would be. Under such circumstances, it was extremely difficult for any country to achieve a carefully managed and phased integration. Such an approach could, therefore, result in dropping out of the ongoing process of globalization and thus stagnating further. It was not possible to live outside the market reality.

89. The TDR also indicated that "new forms of protection against exports of manufactures from the South are being sought as a remedy for labour market problems in the North", thus portraying developing countries' market access problems in a North-South context. However, the reality seemed to be more complex. According to a survey conducted by the WTO secretariat in preparation for the High-Level Meeting on Integrated Initiatives for Least Developed Countries' Trade Development, access of LDC products to developing countries' markets was shown to be more restricted than in the case of developed countries' markets. In view of increasing South-South trade, and more specifically of the fact that there was a substantial level of demand for LDCs' products in developing countries themselves due to more adequate prices and technology, it seemed that market access problems of developing countries needed to be looked at in a wider perspective.

90. It might be tempting to consider today's globalization process from a zero-sum perspective, with winners and losers. Yet its economic reality presented a totally different picture: trade globalization would create better access for developing countries' exports to the world market and free them from the limited absorption capacity of their domestic markets. Investment globalization, on the other hand, would enhance technology transfer. These two factors combined would bear various fruits, such as an increase in employment, income growth and poverty alleviation, as well as natural technology or management skill transfer. Care therefore had to be taken to avoid such fruits slipping away. The globalization of the world economy was a positive sum process. Many countries, including a number of developing countries, were better off now than before. Japan intended to strongly support the activities of UNCTAD in spreading these benefits even further to a larger number of developing countries in order to allow them to benefit from this mega-trend of today.

Informal meetings

91. The Board pursued its consideration of agenda item 3 in informal meetings.

Action by the Board

92. At its 890th plenary meeting, on 22 October 1997, the Board adopted agreed conclusions 440 (XIV). (For the text of the agreed conclusions, see TD/B/44/19(Vol.I)).

Chapter II

REVIEW OF PROGRESS IN THE IMPLEMENTATION OF THE PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE 1990s

(a) POLICY REFORMS IN AGRICULTURE AND THEIR IMPLICATIONS FOR LDCs' DEVELOPMENT

(b) CONTRIBUTION BY THE BOARD TO THE CONSIDERATION OF THE GENERAL ASSEMBLY, AT ITS FIFTY-SECOND SESSION, OF HOLDING A THIRD UNITED NATIONS CONFERENCE ON THE LEAST DEVELOPED COUNTRIES

(Agenda item 4)

93. For its consideration of this item, Sessional Committee I had before it the following documentation:

The Least Developed Countries, 1997 Report (TD/B/44/6 - UNCTAD/LDC/(1997) and Overview)

94. In his introductory remarks, the **Secretary-General of UNCTAD** said that the deliberations on this agenda item at the current session of the Trade and Development Board were taking place in the paradoxical context of declining official development assistance (ODA) to LDCs and yet a multiplicity of autonomous initiatives attempting to address the problems of those countries. These initiatives included LDC-related meetings, autonomous national programmes, WTO-sponsored high-level meetings to which UNCTAD gave substantial assistance, the renegotiation of the Lomé Convention, the Japanese initiative regarding Africa, the special initiative undertaken by the United States of America in respect of Africa and the forthcoming High-Level Meeting on Integrated Initiatives for Least Developed Countries' Trade Development. A question that needed to be answered was how these new initiatives could reinforce one other.

95. A second consideration in respect of the external environment was the need to start preparing for the Third United Nations Conference on the LDCs. UNCTAD was assigned the task of serving as the focal point in the United Nations for monitoring the implementation and follow-up of the Programme of Action for the Least Developed Countries, launched in Paris in 1990.

96. He noted that two points highlighted in the *LDC Report* - reform of the agricultural sector, and economies in regress - were essential to the debate on the problems of the LDCs. The *Report* was comprehensive enough to cover most of the difficulties faced by LDCs in the challenge of development.

97. He also noted that the *Report* broke new ground in trying to link economies' performance with other issues, such as refugees, the decline of the state and civil strife. These problems had a cost not only for the LDCs themselves but also for the international community. There was a need for early warning systems to sound an alarm before the situation reached crisis point.

98. Despite the multiplicity of initiatives addressing the problems of LDCs, UNCTAD had a unique role to play. It gave added value to the debate on LDCs by giving the latter the necessary confidence to take advantage of the opportunities

provided by the new environment and making them capable of building the foundations of a market economy and competing in the world economy.

99. UNCTAD was encouraged by initiatives taken by the Bretton Woods institutions with regard to the heavily indebted poor countries (HIPCs). However, there was a need to improve the eligibility criteria, as well as to have more flexible rules. He concurred with the comments made by the head of the World Bank that the initiatives should be seen as a dynamic process and not a closed one. He reiterated the commitment of UNCTAD to the preparation of investment guides for the LDCs to improve policies and practices for attracting investment.

100. A recent symposium on portfolio investment for the LDCs had received a good private-sector response in terms of attendance, paving the way for the Lyon meeting in 1998.

101. While UNCTAD continued to work closely with sister organizations such as the WTO and UNDP in addressing the problems of LDCs, it was also developing new approaches to dealing with these problems. An important one concerned the integrated country programmes for strengthening the supply capacity of tradable goods and services, the first of which had recently been launched in Bangladesh after having been preceded by a multi-agency mission to that country. It was a possible model for the High-Level Meeting.

102. The Secretary-General concluded by saying that UNCTAD was deeply committed to the cause of the LDCs. Any society would ultimately be judged by the way it treated its most vulnerable members, which in this case were the LDCs.

103. The **Officer-in-Charge, Office of the Special Coordinator for Least Developed, Land-locked and Island Developing Countries,** highlighted three issues relating to questions arising from *The Least Developed Countries, 1997 Report*: agriculture and economic regress in LDCs; the Third Review Conference; and the integrated country programmes for strengthening supply capacities for exportable goods and services in LDCs, and the Trust Fund for LDCs.

104. An improvement in the economic performance of many LDCs, notably some of the African LDCs, had taken place in the mid-1990s, despite a stagnation of aid flows and the debt overhang. Sustained growth in the LDCs would, however, require agricultural development, which in turn was dependent upon a range of sectoral and institutional reforms.

105. He noted that in a significant number of LDCs the deterioration of the institutional structure of society, particularly the state structure, had been responsible for wrecking whatever development had been achieved in the past and had impaired development over a prolonged period. The most extreme and damaging form of a crisis of governance and state failure or collapse was manifested in internal conflicts which had ravaged, and continued to wreck, several LDCs. The costs of regress for LDCs were profound, particularly since regress most often easily spilt over from its original state boundaries into neighbouring States and assumed regional dimensions. The international community should give urgent attention to helping LDCs strengthen their institutional structure in order to prevent state collapse, facilitate a peaceful resolution of internal conflicts and rebuild war-torn societies. External assistance could help to prevent state collapse in LDCs where institutional deterioration was not too advanced. UNCTAD's interest in this subject arose because regress had major consequences

for development in LDCs, for the regional partners, and for development strategies pursued by aid donors and the international community.

106. The current session of the General Assembly would be considering the convening of the Third Global Review Conference on the LDCs with a view to its making a comprehensive appraisal of the implementation of the Programme of Action and deciding on subsequent action. As the organization with the focal role for the review and appraisal of the implementation of the Programme of Action and its follow-up at the global level, UNCTAD could make a valuable input to the consideration of this issue by the General Assembly. It could, in particular, make recommendations regarding the dates of the Conference, its possible mandate and the required preparatory process.

107. In accordance with the mandate given to it at the previous session of the Trade and Development Board, UNCTAD had initiated the design and formulation of integrated country programmes (ICPs) in four LDCs - Bangladesh, Cambodia, Gambia and Madagascar. The ICP for Bangladesh had been launched at a sectoral round table. Under the ICPs, UNCTAD, in partnership with other international agencies, would provide technical assistance to strengthen supply capacities for exportable goods and services. Finance for the preparatory phases of these ICPs was provided by the Trust Fund for LDCs set up by the Secretary-General of UNCTAD. He expressed UNCTAD's appreciation to those countries which had contributed to the Trust Fund.

108. The spokesperson for the **least developed countries** (Bangladesh) said that *The Least Developed Countries, 1997 Report* referred to encouraging developments having taken place among some LDCs in the mid-1990s. Many of those had resulted from determined domestic efforts to implement economic policy reforms. The *Report* suggested a viable strategy for agriculture, which it identified as a key sector. Significantly, and most appropriately, the *Report* reiterated the need for international support. The record of such support left much to be desired. There had been unremarkable progress in the implementation of the Programme of Action for the LDCs. ODA flows to LDCs as a percentage of Development Assistance Committee (DAC) GNP had fallen to 0.06 per cent in 1995, the lowest ever level. The share of LDCs in global exports had not risen above 0.04 per cent. Despite a record FDI inflow of $129 billion to developing countries out of a global total of $350 billion in 1996, the LDCs had received a mere $1 billion. Their external debt burden had continued to grow between 1990 and 1995, the combined debt stock increasing by $20 billion. He emphasized the importance of ODA to LDCs and said that in no way could trade be a substitute for it. Commitments in that respect, therefore, had to be honoured. LDCs were constrained by weak supply capabilities, and looked to the international community to assist in strengthening them. Despite an admittedly low level of tariff protection in major markets, LDCs still faced serious entry barriers in certain sectors, including agriculture, textiles, clothing, and fish and frozen food products. Those difficulties were compounded by tariff peaks, preference erosion and tariff escalation, together with the potential for abuse of anti-dumping, countervailing, sanitary and phytosanitary measures. With regard to the generalized system of preferences (GSP), there was a need for special treatment of LDCs through the granting of comprehensive product coverage of all dutiable ranges, including agricultural and resource-based products, tropical industrial manufactures, leather, footwear, textiles and clothing products. Such action would encourage LDCs to keep up with their efforts, and with their commitments.

109. The crushing debt burden, particularly of African LDCs, remained a source of grave concern. To date, debt relief measures had proved grossly inadequate.

Without a decisive reduction in debt stock, which had mounted, and debt service obligations, which had increased enormously, any meaningful growth rate could well nigh be ruled out. In that respect, the speaker welcomed the HIPC initiative, but clearly there was a need to do more, such as cancelling outstanding bilateral official debt. Research had to be directed towards determining how the pangs resulting from marginalization could be averted and how the LDCs could be fitted into the global system in a way that was truly mutually beneficial.

110. The time had come to take some definitive decisions with regard to the Third Global Review Conference on the LDCs, as envisaged in General Assembly resolutions 45/206 and 50/103. This Conference was due to take place at a high level in the year 2000, in the month of September, and to last for a week. It should be mandated to review the implementation of the Programme of Action during the 1990s, to review international support measures, particularly in the areas of ODA, debt and trade, and to consider formulation and adoption of appropriate national and international policies and measures for sustained and sustainable development of LDCs during the first decade of the next century. UNCTAD should already be designated as the focal point for its preparation. An intergovernmental preparatory committee could be convened during the spring of 1999 for this purpose. It could be preceded by three expert-level meetings, two of which could take place in Africa and one in the Asia-Pacific region. United Nations savings could be used to defray the cost of participation of two representatives from each LDC in the Conference and in the preparatory committee.

111. The spokesperson for the **African Group** (Ethiopia) said that the unique role of UNCTAD, as the focal point at the global level for the monitoring, follow-up and review of the implementation of the Programme of Action for the Least Developed Countries, had been reaffirmed by UNCTAD IX and the General Assembly.

112. After a long period of economic slump and deteriorating living conditions, the last two years had witnessed economic recovery and modest growth in the LDCs. Macroeconomic reforms in the LDCs, in particular in the area of monetary and fiscal policies, in pursuit of the objectives of the Programme of Action had begun to stimulate higher growth rates in their economies. However, these improvements would remain transitory and frail unless accompanied by policies at both the national and the international levels favourable to strong institutional and technological capacity-building.

113. The growth performance of the LDCs contrasted with the unfavourable international economic environment for them, with continued reductions in ODA, persistently mounting debt constraining their economic revival, and declining prices for their main primary exports. ODA flows had fallen short of special aid targets and commitments agreed in the Programme of Action, and the ODA/GNP ratio for DAC donors had fallen from 0.09 per cent in 1992 to 0.06 per cent in 1995. In addition, aid was being diverted away from development purposes to emergency programmes, with potential negative consequences for long-term economic development. A reversal in the current trend in donor performance in terms of the level of assistance and the direction of aid was required.

114. The African Group recorded its appreciation to Norway, Denmark, the Netherlands and Sweden for their efforts to surpass the 0.20 per cent target, to Ireland, Luxembourg and New Zealand for the expansion of their aid programmes, and to Japan for being the largest contributor of ODA in absolute terms.

115. The LDCs had experienced an increase of 56 per cent in foreign direct investment (FDI) in 1996 after several years of decline. However, in relative terms, their share continued to represent a low and declining proportion of FDI flows to developing countries as a whole.

116. The level of debt of the 29 LDCs currently included in the group of HIPCs continued to be high and growing, amounting to $135 billion. External obligations exceeded many countries' capacity to pay. The World Bank/IMF HIPC initiative on debt, though welcome, was constrained by its selectivity criteria and the long period required for positive effects to be felt. Creditor countries and international financial institutions were urged to increase their efforts to implement the proposed and agreed measures to alleviate the debt burden of the LDCs and to reduce it at least to sustainable levels.

117. The African Group noted with satisfaction the greater qualitative dimensions of *The Least Developed Countries, 1997 Report*. In particular, the Report provided extensive coverage of the important role of agriculture in LDCs' economies. The analysis in the *Report* constituted an important input in terms of assisting national policies aimed at addressing problems in the agricultural sector. The African Group subscribed to the main components identified in the *Report* for a viable long-term agricultural development strategy, which were local in nature, but emphasized the need for greater analysis of the international dimension of the policy problem in agriculture. This would show that LDCs had not fully benefited from their agricultural sector, in which they had a comparative advantage, owing to external constraints, including market access.

118. With regard to the issue of economic regress, the experience of many countries had shown that political regress could be reversed internally, but this required international solidarity and cooperation. The international community should give urgent attention to helping LDCs strengthen their institutional structures in order to prevent state collapse, facilitate peaceful resolution of internal conflicts and rebuild war-torn societies.

119. The African Group underlined that the Third United Nations Conference on the LDCs should be organized with more vigour, vision and commitment. UNCTAD's role in making the necessary preparations was critically important, in conformity with the Programme of Action. The role of UNCTAD in the preparation of the High-Level Meeting on Integrated Initiatives for LDCs' Trade Development was also essential.

120. The African Group attached the utmost importance to the technical cooperation activities of UNCTAD with special reference to the LDCs. Development partners and other countries were called upon to contribute generously to the UNCTAD Trust Fund for LDCs, which provided funding to cover the start-up costs of integrated country programmes. The African Group congratulated UNCTAD on taking the lead in launching the first ICP for Bangladesh, and speedy implementation of similar programmes in the African LDCs was called for.

121. The representative of **Brazil** commended the UNCTAD secretariat for the quality of the *LDCs 1997 Report* and the excellent analyses contained in it. She welcomed the call in the *Report* for the international community to react urgently to halt the process of economic regress in a number of LDCs. Although Brazil was not a major donor, it was providing assistance to some African LDCs in areas such as agriculture, power generation and education. She drew attention to the formation of the Commonwealth of Portuguese-speaking Countries in 1996, under

which resources amounting to $3 million had been allocated to finance development programmes in Angola, Mozambique, Cape Verde, Sao Tome and Principe, and Guinea-Bissau. She noted the importance of agriculture to LDCs and the role that this sector could play in reviving their economies. She hoped that UNCTAD would continue to receive strong support in order to continue its work in favour of LDCs so that they would profit from the benefits and opportunities provided by globalization.

122. The representative of **China** expressed his Government's full support for UNCTAD, which had made an important contribution to solving the problems of the least developed countries in its capacity as the focal organization in the United Nations system for monitoring and follow-up of the implementation of the Programme of Action for the LDCs. The establishment of the Trust Fund for LDCs was an important development which would help in addressing the problems of LDCs. China had assisted these countries in their development efforts for many years on a bilateral and multilateral basis. In that context, he announced that his Government would contribute $100,000 to the Trust Fund for LDCs.

123. The spokesperson for the **Asian Group and China** (Sri Lanka) commended the secretariat for *The Least Developed Countries, 1997 Report*. He noted with satisfaction that policy reforms introduced in the Asian LDCs, and the proximity of some of them to the world's fastest-growing region, had contributed to the increase in the growth rates in those countries. The benefits of globalization were, however, yet to reach the Asian LDCs in an equal manner. He also noted with satisfaction that the Asian LDCs benefited from the successful experience of Asian countries in improving food security and agricultural output, and he believed that their experience could be used by LDCs in other regions.

124. While it was true that the sustainability of growth in Asian LDCs would depend on the continuation and deepening of adjustment and economic reform measures already initiated, it should be stressed that growth could have been much higher had the Asian LDCs benefited from higher levels of ODA and investment. He therefore urged the LDCs' development partners to increase the level of ODA committed at the Second United Nations Conference on LDCs and at other major international conferences. The declining trend in ODA, coupled with the debt problem of many poor countries, was far from being resolved. He welcomed the recent HIPC initiative to tackle the debt of the heavily indebted poor countries and urged that this initiative be pursued in a comprehensive way without delay, with the support of the international community.

125. It was encouraging to note that new countries were emerging as providers of external assistance to LDCs, and that the Republic of Korea was becoming an emerging donor with the potential for making a significant contribution to ODA to supplement the aid resources provided by the traditional donors.

126. Most of the Asian LDCs had not been able to benefit from the increase in FDI to developing countries. He called upon UNCTAD to look into that issue and to advise on ways and means of facilitating FDI flows to those countries.

127. He expressed his appreciation to the UNCTAD secretariat for helping a number of countries to elaborate and launch integrated country programmes to strengthen the supply capacity of tradable goods and services, and in that connection he expressed his appreciation to the LDCs' development partners for their contributions and pledges to the Trust Fund for LDCs.

128. He stressed the importance of initiating preparations for the Third Global Review Conference on the LDCs and designating UNCTAD as the focal point for that purpose. He further stressed the importance that his Group and China attached to the necessity for the current session of the Trade and Development Board to contribute to the General Assembly's consideration of the holding of that UN Conference in the year 2000.

129. In conclusion, he stressed that all LDCs should be treated equally, and that any preferential measures in favour of the LDCs to be offered in the future should be extended to each and every LDC on the basis of equality.

130. The representative of **Luxembourg**, speaking on behalf of the **European Union**, commended the UNCTAD secretariat for the excellent quality of *The Least Developed Countries, 1997 Report*. LDCs received priority attention from the European Union in its development policy. At the forthcoming High-Level Meeting on Integrated Initiatives for Least Developed Countries' Trade Development, the European Union intended to reiterate the conclusions of its Ministerial Council regarding both extension of preferential treatment to all LDCs and improved rules of origin. She pointed out that the theme relative to agriculture in the *Report* was of the greatest interest to the European Union, as the LDCs had priority in EU development policy and the EU was the largest importer of LDCs' agricultural products.

131. Given the importance of the agricultural sector for rural incomes, food security and linkages with the agro-processing industry, the European Union considered that diversification of agriculture in LDCs should be a priority development objective. In addition, she noted the importance of education for the long-term development of the agricultural sector, and she encouraged UNCTAD to pursue its research into the major aspects of development strategies for agriculture. These aspects related to extension services and research, as specified by the *Report*, as well as agricultural policies, relevant decision-making, and operational aspects such as law enforcement and inspection. The European Union took the view that it was important to promote the role of the private sector in agricultural development and to support it strongly. Development of non-agricultural rural employment was a major socio-economic objective of the LDCs, which implied that diversification policies should be global (horizontal as well as vertical) and not limited to commodity diversification.

132. The European Union had actively participated in the World Food Summit, and had for a long time implemented food security policies for developing countries, and in particular for the LDCs. Furthermore, it recognized the existence of systematic and technological causes of environmental degradation in rural areas of the LDCs, and supported institutional and social programmes for sustainable development in those countries.

133. The European Union had been supporting the promotion of rural financial institutions to facilitate access to appropriate financial services for the rural poor and considered that investment in the form of non-refundable funds was necessary. In that connection, the European Development Fund was an important partner for the LDCs.

134. In conclusion, she said that the European Union vigorously supported sectoral development in the LDCs, in particular through the Agricultural Investment Programmes, and called for coordination among donors for efficient support to sectoral, agricultural and rural policies in the LDCs.

135. The representative of **Uganda** commended the UNCTAD secretariat for a well-researched *LDCs 1997 Report*, which addressed the current challenges facing the LDCs. He noted that, in a characteristic and bold move, the *Report* addressed the problems of economies in regress. Uganda had experienced negative growth in all facets of public life from 1971 to 1986, but it had demonstrated that, with genuine political commitment, good governance, efficient economic management and international support, those problems could be tackled and overcome. In his view, the *Report* justifiably focused on agriculture, which dominated the Ugandan economy. It accounted for 50 per cent of GDP, 85 per cent of export earnings and 80 per cent of employment, and provided most of the raw materials for the country's steadily growing agro-industrial sector. However, most of Uganda's agricultural exports faced high tariffs as well as complicated sanitary and phytosanitary rules in some markets, which militated against export expansion. He listed domestic problems which frustrated Uganda's efforts to modernize its agriculture: antiquated land tenure and obsolete technology; paucity of finance for agricultural activities; inadequate research capacity and resources; and poor harvest and post-harvest systems, made worse by the absence of any organized marketing system. He added that the rain-fed nature of agriculture rendered it vulnerable to the vagaries of the weather. He stressed that LDCs would continue to require substantial technical assistance from their development partners if problems were to be overcome in the long term. He underscored the importance of the Third Global Review Conference on the LDCs, and expressed the hope that the Trade and Development Board would fully support the recommendation to the General Assembly that it start the preparatory process for convening that Conference.

136. The representative of **Morocco** said that the main challenges for the LDCs' development efforts appeared to be new developments in the global economic system. The process of globalization and liberalization threatened to accentuate the marginalization of LDCs. These countries' industries were exposed to stronger competition because of their weak supply capacities. Their ability to exploit opportunities and lessen the risk of marginalization would be conditioned by the evolution of the process of globalization and liberalization within the framework of the WTO and by their domestic policy responses.

137. Globalization had important implications for economic policies in LDCs. First, direct control by the Government over new economic activity had become less effective and often increasingly counter-productive. Secondly, globalization intensified competition on international markets. As a consequence, the focus of economic policies had been increasingly shifting away from direct government intervention in markets and participation in production and trade towards the creation of an enabling environment for the private sector and for the efficient operation of the market economy. A key role for the LDCs' Governments and their development partners was to strengthen the economy's supply capacities. A better environment and the provision of public goods such as agricultural extension services should play a role complementary to that of private investments in tackling impediments to the development of competitive industries.

138. Significant changes would be required in order to increase the flow of FDI to a meaningful size in areas such as governance, development of an enabling policy environment and sustained policy reforms, and an improved partnership between the public and private sectors.

139. One of the possible responses to the challenges faced by LDCs was enhanced market access to developing export markets. The forthcoming High-Level Meeting

on Integrated Initiatives for Least Developed Countries' Trade Development provided an opportunity for all developing countries to make an announcement in that respect. Other possibilities included coordination and cooperation between the relevant international organizations, particularly in the light of the declining trend in ODA and the debt overhang of LDCs.

140. His country favoured a recommendation by the Trade and Development Board to the General Assembly for the convening of the Third Global Review Conference on the LDCs in the year 2000, and the preparatory process should be started as soon as possible.

141. The representative of **Norway** said that *The LDCs 1997 Report* was encouraging for those following developments in LDCs. He noted that economic progress recorded in those countries had taken place against a backdrop of stagnation in ODA to them, continued external debt problems and falling commodity prices. Norway was concerned about one main issue: the small share of FDI going to LDCs. It would be useful for UNCTAD to study the conditions necessary for attracting FDI to LDCs. Norway had always contributed to efforts to prevent economic isolation, and intended to continue this policy, as was reflected in the growth - in real terms - in Norwegian development assistance. The Norwegian Government had that week proposed an increase in the allocation for development assistance - from 0.85 per cent the previous year to 0.88 per cent. Regrettably, very few countries had attained the United Nations targets for development assistance of 0.7 per cent of GNP to developing countries and 0.15 per cent to the LDCs. Norway welcomed the HIPC initiative of the World Bank and the IMF, and would contribute financially to the scheme in the hope that there would be the broadest possible participation by industrialized countries.

142. Norway agreed with the *LDCs 1997 Report* that good governance and efforts to avoid internal unrest were essential ingredients for promoting sustainable development in any country. UNCTAD could play a supporting role by providing policy guidance to interested countries within its mandate. The focus of the *Report* on social and economic regress was well worth pursuing. Norway strongly supported efforts to improve conflict detection and prevention within the United Nations system, particularly UNCTAD's work in that regard. In addition, it endorsed the importance attached to technical cooperation through capacity-building, development of democracy and the formulation of policy guidelines, as indicated in the *Report*. Its recent contribution of nearly $1 million to UNCTAD's technical cooperation programme was a clear manifestation of that.

143. Norway looked forward to the High-Level Meeting on LDCs later that month, which would seek to facilitate the integration of the LDCs into the multilateral trading system. Norway was fully committed to improved market access for LDCs' exports. Exports of those countries' industrial products enjoyed free access to the Norwegian market. Norway intended to remove its quotas on textile imports by 1998 ahead of the 2005 deadline in the WTO Agreement and had abolished tariffs and quotas on imports of many agricultural products from LDCs. Its GSP scheme had been substantially reviewed. In his opinion, access to foreign markets for agricultural products was crucial to the success of the agricultural reforms recommended by the *LDC Report*.

144. Norway believed that UNCTAD had an important function to perform in helping developing countries, and particularly LDCs, to take advantage of the opportunities offered by globalization and liberalization.

145. The representative of the **Republic of Korea** said that he shared the concern that in the era of globalization there existed a danger of marginalization for many LDCs. The international community should continue to provide assistance to those countries so that they could take advantage of an open and free world economy.

146. UNCTAD could make valuable contributions to development by energizing its mandate for development cooperation. His country commended the endeavours of the Secretary-General aimed at revitalizing UNCTAD under the mandate of the Midrand meeting. He welcomed the forthcoming High-Level Meeting on Integrated Initiatives for Least Developed Countries' Trade Development. UNCTAD should continue to play a key role in this initiative's implementation and follow-up process.

147. He commended the UNCTAD secretariat for *The Least Developed Countries, 1997 Report* and its analysis of agriculture in LDCs. Even though South-East Asia was going through a period of difficult economic adjustment, the viability of the regional economy was set to be reactivated and the forces of the market economy would ultimately reach the other regions. He noted with concern the declining trend in ODA to LDCs and urged the international community to provide technical assistance to those countries. Although his country was experiencing difficult economic restructuring, it would spare no effort in sharing its experience and making resources available for international development.

148. The representative of **Yemen** said that his country had faced several difficulties due to economic and financial imbalances. This had led to a reduced ability to finance development projects, slow economic growth, inflation and depreciation of the national currency. To remedy these imbalances, the Government had adopted a development planning strategy covering the period 1996-2000, which was based on market mechanisms, promotion of investment, privatization of infrastructure projects, liberalization of domestic and external trade, restoring the macroeconomic balance and combating inflation. In addition, the Government, in cooperation with the IMF and the World Bank, had adopted a comprehensive economic reform programme. The first two phases of this programme had been successfully completed in 1995 and 1996. The results had been reduced government expenditure, improved economic administration, a stabilized Yemeni rial, promotion of private sector activities, enactment of transparent investment and trade policies, agricultural privatization, giving priority to technical education and starting the implementation of a social security system. The third phase of the programme was being implemented in 1997.

149. Aware that trade and investment had a major role in development, Yemen had established an investment authority which was the main government agency for dealing with all investment issues in a flexible and transparent way. There were many factors which provided incentives for investing in Yemen. These included the improved investment climate, domestic and regional markets, the availability of agricultural, fish and mineral resources, the availability of the labour force and the establishment of a Free Trade Zone in Aden.

150. He expressed appreciation to all donor countries and to UNCTAD and other specialized agencies for the assistance provided to Yemen in different areas. He identified the following areas where Yemen required increased technical assistance: general training in trade matters (under TRAINFORTRADE), training to operate ASYCUDA, quality control in the agricultural and food industries,

trade information technology, establishment of a financial market, and policy advice and experience in the area of foreign trade and trade negotiations.

151. The representative of **Japan** noted the encouraging revival of economic growth in many of the LDCs in the last few years, but observed that performance varied between countries. He called on the international community to provide support corresponding to the needs of each LDC. He expressed the hope that an effective and efficient Integrated Framework for Trade-Related Technical Assistance would be agreed at the forthcoming High-Level Meeting on LDCs.

152. He underlined the importance of agriculture to economic development and social stability in LDCs and to world-wide food security. In addition, he noted the success of some African LDCs in expanding agricultural exports through trade and tax policy reforms. To achieve the objective of poverty reduction and sustainable growth, the LDCs' own resolute efforts and the support of the international community were indispensable.

153. The representative of **Sudan** expressed his appreciation to the Secretary-General of UNCTAD for UNCTAD's continued dedication and great efforts in favour of LDCs in the areas of trade and development through analysis, research and technical assistance activities. In particular, he expressed appreciation for the establishment of the Trust Fund and the initiation of the integrated country programmes, which his country looked forward to benefiting from. *The LDCs 1997 Report* was a valuable contribution by the UNCTAD secretariat in terms of its content and the way it analysed the different aspects of the growth and development problems in LDCs. He noted that it referred to some positive developments that had taken place in the LDCs in the 1990s, mainly as a result of genuine domestic efforts to implement economic reforms and of favourable climatic conditions. The *Report* stressed the significance and importance of international support to ensure sustainable growth and to avoid regress, which might ultimately lead to catastrophic results. International support to LDCs in the 1990s had been diminishing, and ODA flows had reached their lowest level in 1995. FDI flows to LDCs had been insignificant. The external debt burden had continued to grow between 1990 and 1995. In that regard, he welcomed the HIPC initiative. However, if it was to provide adequate debt relief to LDCs, it should be implemented with a great deal of flexibility and urgency, which required considerable genuine political will on the part of creditors. He urged the international community to take immediate and concrete steps towards integrating the LDCs into the world economy and the international trading system. Workable global strategies should be identified if LDCs were to be active actors in the world economy and the international trading system. He emphasized the importance of the Third Global Review Conference on the LDCs and said that the work of the Trade and Development Board would facilitate the General Assembly's consideration of that issue.

154. The spokesperson for the **Latin American and Caribbean Group** (Haiti) said that his country was the only LDC in its region. He congratulated UNCTAD on its active participation in the preparation, together with the WTO, of the High-Level Meeting on Integrated Initiatives for Least Developed Countries' Trade Development. He encouraged UNCTAD to continue to promote economic and technical cooperation, especially between LDCs and other developing countries.

155. Concerning *The Least Developed Countries, 1997 Report* and the agenda item under consideration, he underlined the relevance for his country of the analyses concerning the responsibility of the absence of political consensus on economic reforms for the decline in economic growth, the delay in aid delivery, persistent

social regress and increased insecurity. Consequently, he wished to open discussions on the questions of institutional decline, state failure and social regress, which would provide the Trade and Development Board with an opportunity to discuss possible solutions to these issues.

156. The representative of **Nepal** underlined the contradictions between on the one hand the trend towards a liberalized world economy and on the other the marginalization of LDCs in that process. Referring to the meagre share of LDCs in world trade, the dwindling ODA flows and the staggering debt burden, he called for a renewed and broad-based political consensus on the part of the international community to reverse the growing marginalization of these countries.

157. Any serious attempt to achieve a positive transformation of the socio-economic situation in LDCs must involve a greater focus on agriculture. For countries like Nepal, this needed to be complemented by actions in certain non-agricultural sectors, such as tourism and hydropower. Enhancing the productivity of small-holder agriculture could substantially contribute to food security and improved living conditions. Also, developing the agricultural sector could open up prospects for boosting and diversifying exports. However, lack of resources remained a key constraint on agricultural expansion.

158. There was a growing consensus that LDCs' marginalization in a globalizing and liberalizing world economy could not be allowed to continue unabated. Recent initiatives, including the special emphasis accorded by the Board to the LDCs and the High-Level Meeting on Integrated Initiatives for Least Developed Countries' Trade Development, represented concrete attempts by the international community to reverse the LDCs' plight.

159. The representative of **Switzerland** commended the UNCTAD secretariat for the excellent *LDCs 1997 Report*, which provided a thorough analysis of recent developments in LDCs. Commenting on some of the main conclusions in the *Report*, he fully agreed that functioning institutions were crucial for sustainable development. Success in the long term depended on strong political and institutional support and on measures to alleviate the socially negative effects of reform programmes. Functioning democratic institutions, the application of principles of good governance and participatory development were prerequisites for sustainable growth. Through conflict prevention and a subsequent demilitarization of borders, integration mechanisms for the free flow of goods, services and people could be consolidated, thus serving the needs of long-term socio-economic development. In the previous couple of years, the concept of enhanced regional cooperation as a means of economic development had gained considerable ground. Regional cooperation could yield particular benefits, especially for small and land-locked LDCs that lacked domestic markets of a significant size. Agriculture had been a priority area for Swiss development cooperation, and would remain so.

160. The horizontal diversification of export products could only be achieved by successfully implementing the concept of vertical integration. Improvements in the areas of education, health and sanitation, basic infrastructure, small enterprise promotion and rural systems of credit were the basis for subsequent trade and export promotion. Integrating LDCs into a globalizing economy was no

longer primarily a trade policy challenge. Building capacity for trade was a development problem which had to be confronted jointly and urgently by the trade and aid communities. Referring to the agreement reached at Midrand that the future activities of UNCTAD should be focused on the needs of LDCs, he welcomed the increase in 1996 of LDCs' share of UNCTAD's technical assistance activities and supported UNCTAD's intention to increase it further.

161. In 1995, Switzerland had allocated 0.10 per cent of its GNP to LDCs. The existing budgetary situation, however, left little room for significant increases, and there was therefore a need for further improvement in the quality of cooperation and for further coordination with other bilateral and multilateral donors.

162. The representative of the **Islamic Republic of Iran** stressed the importance his country attached to UNCTAD's activities in favour of LDCs. UNCTAD's technical cooperation strategy and its work programme were the main blueprints which provided a bright horizon in terms of UNCTAD's role in creating capacities necessary for growth and development. His country's bilateral assistance to LDCs in the past had been extensive. Moreover, his country was currently on the threshold of formulating its cooperation and assistance policy on LDCs through multilateral channels, especially UNCTAD.

163. However, the absence of countries not members of the WTO from the High-Level Meeting on LDCs could have negative effects on political commitments in this regard, as well as on recommendations that might arise from the Meeting. He believed that the provision of a universal setting for launching such initiatives would be more beneficial to the developing countries and especially LDCs, and would help to create a universal framework for future activities. His delegation continued its support for deliberations on LDCs on the basis of the Midrand final document and UNCTAD's work programme, as well as of related strategies.

164. He hoped that on similar occasions in the future, especially whenever a deliberative process in the area of technical cooperation was planned, the machinery of UNCTAD would be at the centre of the consensus-building process and would add more dynamism and credibility to deliberations and subsequent decisions.

165. The representative of **Australia** said that her country supported the analysis and general findings of *The Least Developed Countries, 1997 Report*, and particularly Part Two, which focused on agricultural development and policy reforms in LDCs. It agreed with the *Report*'s conclusion that although significant reforms of the rules governing agricultural regimes in developed countries had been carried out, the degree of overall trade liberalization was limited. It also agreed with the *Report*'s assessment that sanitary and phytosanitary standards would play an important role in market access for LDCs' processed agricultural products, particularly in ensuring that food safety and animal and plant health measures were legitimate and not used for the purpose of providing industry protection. Australia supported the acknowledged need for technical and financial assistance to help LDCs in implementing the Agreement on the Application of Sanitary and Phytosanitary Measures. Through its overseas

aid programme, Australia had helped several countries in the Asia-Pacific region to improve their sanitary and phytosanitary standards, for example in strengthening quarantine services and controlling animal and plant diseases. It would consider assistance to LDCs in the Asia-Pacific region, subject to resource constraints and LDC priorities. Australia had a range of expertise in agriculture to offer LDCs, particularly in tropical agriculture.

166. Australia looked forward to the forthcoming High-Level Meeting on LDCs. It hoped that it would be the start of a process which would maximize the benefits to LDCs of trade-related technical assistance, and thus lead to tangible improvements in LDC participation in world trade and to real improvements in living standards.

167. The representative of **Nigeria** thanked the UNCTAD secretariat for the excellent document prepared for this agenda item. He agreed with the analysis it contained. He expressed his appreciation to the countries that had shown some concern for the challenges facing the LDCs and Africa. It was his expectation that concrete and effective action would be taken. The international community was yet to play its part effectively, despite the fact that most LDCs had put in place all the necessary conditions for overcoming the challenges facing them.

168. In the view of his delegation, for the LDCs to move out of the present economic cycle, the following issues had to be addressed: the debt overhang; commodity diversification; improved agricultural production, with adequate emphasis on food production; improvement in supply capacity; market access; increased ODA; and improved infrastructure and FDI.

169. Unless these issues were addressed, no amount of efforts made elsewhere would yield the expected result. Because of the heavy debt burden, many LDC Governments could not adequately meet their responsibilities for the provision of the basic social amenities, such as health services, water supply and basic education. This was having far-reaching adverse effects on capacity-building. Furthermore, the lack of adequate infrastructure could act as a disincentive to investors. He therefore called for special and effective action on the problem of debt, commodity diversification and the development of infrastructure. He called on UNCTAD to continue to coordinate its activities and programmes, where appropriate, with other relevant bodies, particularly the WTO, UNIDO, ITC and the Bretton Woods institutions.

170. The representative of **Canada** said that *The Least Developed Countries, 1997 Report* was a thorough and comprehensive document which in a balanced fashion showed both progress and areas for improvement in LDC issues. She welcomed in particular the analysis of agriculture and of the need for both appropriate national policies and an international environment conducive to ensuring continued improvement. The emphasis in the *Report* on food security, the needs of the poorest and peace-building was very much appreciated, as all were priorities for Canada's foreign and development policies.

171. Canada had long been in the forefront of the international community in offering liberal market access for exports from the developing world and in particular from the LDCs. It continued to explore ways to facilitate LDCs'

utilization of market access opportunities, including wide country coverage, extensive product coverage, simple and transparent rules of origin, and long-term and stable trade support. In addition, her country was particularly interested in technical assistance in capacity-building and had been actively involved in the preparation of the forthcoming High-Level Meeting on Integrated Initiatives for Least Developed Countries' Trade Development. The discussion today were part of a continuation of the analysis of the situation of LDC capacity-building and technical assistance, which should enable LDCs to take advantage of market opportunities. Her delegation hoped that the discussions would result in pragmatic courses of future action, both by the international community and by the UNCTAD secretariat, on the further integration of the LDCs into the international economy.

Informal meetings

172. The Sessional Committee pursued its consideration of agenda item 4 in informal meetings.

Action by the Board

173. Acting on the recommendation of the Sessional Committee, the Board, at its 890th plenary meeting, on 22 October 1997, adopted agreed conclusions 441 (XLIV) and recommendation 442 (XLIV) and took note of the summary by the Chairman of Sessional Committee I. (For the texts of the agreed conclusions, decision and Chairman's summary, see TD/B/44/19(Vol.I)).

Chapter III

UNCTAD'S CONTRIBUTION TO THE IMPLEMENTATION OF THE UNITED NATIONS NEW AGENDA FOR THE DEVELOPMENT OF AFRICA IN THE 1990s: PERFORMANCE, PROSPECTS AND POLICY ISSUES

(Agenda item 5)

174. For its consideration of agenda item 5, Sessional Committee II had before it the following documentation:

> "UNCTAD's contribution to the implementation of the United Nations New Agenda for the Development of Africa in the 1990s: performance, prospects and policy issues" (TD/B/44/12)

175. The **Chairperson** alluded to the heartening process of African recovery in recent years. She noted, however, that there was little room for complacency in that matter. Recovery had been fragile and prone to the vicissitudes of the weather and commodity markets. The opportunity should not be missed to place growth and development on a firm footing in Africa. Among other things, armed conflicts in Africa had a tendency to perpetuate instability and divert resources from long-term development, as well as to threaten regional peace and create massive human dislocation and suffering. At the same time, and as pointed out by the Security Council, African States had made significant strides towards democratization, economic reform and respect for and protection of human rights. She recalled that the G.8, in its recent declaration entitled "Africa: Partnership for Development" at its summit in Denver, had committed itself to support African countries through, among other things, greater market access, support by international financial institutions, and increased levels of ODA.

176. The **Secretary-General of UNCTAD** said that the differences between Africa and the least developed countries (LDCs) from other regions justified the need for separate treatment of the two groups of countries. Africa was characterized among other things by the existence of extreme forms of civil strife and a decline in the ability of the state to perform its basic duties. One of the consequences of these tendencies had been the destruction of physical infrastructure in some of the African countries concerned. Given the circumstances, it would not be reasonable to assume that market forces alone could rebuild the necessary physical and social infrastructure. Such a task required assistance from the international community. He also pointed to differences in ecological conditions between African LDCs and other LDCs. He noted that the green revolution technologies, which other regions had adopted, were not easy to replicate in Africa, given that region's climate and soil conditions. He added that the El Niño phenomenon was currently dimming the agricultural prospects of much of the Sahel region. A third way in which African LDCs differed from LDCs in other regions was that most of Africa lacked economic linkages with nearby, more prosperous countries. Unlike the Asian LDCs, for instance, a "flying geese" type of development paradigm was not an option for most of Africa. In concluding, the Secretary-General of UNCTAD said that, despite the fact that Africa was experiencing an economic upturn, and that the international community was showing signs of renewed willingness to take up the issue of African development, there should be no underestimating the magnitude of the task that lay ahead if economic growth in Africa were to be sustained over the long run.

177. The **UNCTAD Coordinator for Africa** provided a brief overview of the UNCTAD secretariat's report (TD/B/44/12). He pointed out that the recent economic upturn had not been accompanied by increased productive investment, and that the need for African countries to service their external debt had placed a claim on export receipts that otherwise could have gone into productive investment for sustainable growth. The decline in official development assistance (ODA) had also made it harder for African countries to convert the benefits of the recent upturn into improved prospects for longer-term growth. The report also made the point that, with industrial structures typically weak, policies of rapid import liberalization could not be counted on to enhance productivity and promote competitiveness. As for the opening up of capital accounts, there had been a tendency for currencies in Africa to appreciate as a result of larger capital inflows, which in turn reduced export competitiveness and increased consumer good imports. As for agricultural policies, the weakening or dismantling of marketing boards had resulted in improved relative prices being captured by traders rather than producers. It was emphasized in the document that increased investment in tradeable goods and physical infrastructure was a prerequisite for sustained growth, and therefore that debt relief and higher levels of ODA were necessary. Export promotion in non-traditional sectors had to be pursued, and in agriculture a balance had to be struck between food self-sufficiency, surplus extraction and income security for producers.

178. The spokesperson for the **African Group** (Nigeria), after referring to Africa's economic upturn and the reasons behind it, turned to the issue of structural reforms in Africa. He pointed out that, despite major efforts to liberalize prices and exchange rates, privatize state-owned enterprises, institute tighter discipline over public expenditure, and remove barriers to trade and investment, there had been very few successful stories of adjustment. Moreover, as pointed out in the *World Investment Report, 1997*, despite the reforms put in place to encourage foreign direct investment (FDI) inflows to the continent, Africa had continued to receive a limited and narrowly directed amount of FDI. Drawing on the *Trade and Development Report, 1997*, he noted that the income gap between African countries and the developed countries had continued to widen, and that market access and more investment in physical and human resources would be necessary to reverse that trend. He proposed that a genuine partnership of the international community with Africa was needed, in which growth and development would be placed at the core of the African economic objective. Development partners would complement the efforts of the African countries by encouraging investment flows to Africa and by providing effective financial assistance in infrastructure and the promotion of commodity diversification and non-traditional exports that would enable the region to sustain its recent growth. A speedy and substantial reduction in the debt overhang problem was also critical if the present upturn were to be followed by sustained economic growth. Such relief, combined with increased ODA, would ease balance-of-payments constraints, induce increased private investment and growth, and free resources needed for government investment in physical and social infrastructure.

179. With respect to the Uruguay Round Agreement, he noted that Africa was likely to incur some losses in the short and medium term as a result of the Uruguay Round. These would arise from the erosion of preferential treatment of African exports under the Lomé Convention and the generalized system of preferences (GSP), as well as the higher import cost of foodstuffs likely to be experienced by net food-importing countries. He proposed that the product coverage of preferential schemes should include sensitive products of export

interest to African countries, and that restrictive rules of origin should be relaxed.

180. He expressed concern with respect to the proliferation of conditionalities attached to the transfer of resources and other assistance from the developed countries and multilateral financial institutions. While conditionalities relating to the use of resources were necessary and legitimate, he felt that the application of unrelated conditionalities could not be justified. There was, thus, an urgent need to continue to reduce the number and type of conditionalities and to limit conditionalities to the essential objective of ensuring that resources were used for their intended purposes.

181. The representative of **Morocco** focused on the importance of directing the recent economic upturn to a path of sustained economic growth. He pointed out that relying on traditional exports for continued growth would not be sufficient. Export receipts should serve to generate new productive investment in the export sector. While recommending the promotion of horizontal and vertical diversification strategies, he emphasized that the major obstacle to capital accumulation and investment for that purpose was the debt overhang and the resources needed for its servicing. He also pointed out that a strong and evident link existed between debt servicing and the difficulty in reducing poverty in Africa. A solution to the debt problem had to be found if the continent was not to be marginalized. He welcomed the HIPC initiative but it was important that it be implemented rapidly and that its criteria be made more flexible. He also stressed that Africa would continue to depend on ODA, and FDI could only complement the role of ODA. Even if FDI were increased, it would not be sufficient in and of itself. In this connection, he regretted not only that agreed-upon targets for ODA had not been met, but also that overall ODA levels had been declining in recent years. That trend must be reversed if Africa were to embark on a path of sustained growth. Finally, he said that clear objectives for Africa in particular, as distinct from LDCs in general, should be established. He noted with appreciation the support expressed for Africa at the G7 summit in Denver by the United States, Japan and the European Union.

182. The spokesperson for the **Asian Group and China** (Indonesia) said that notable growth had been recorded recently in a number of African countries. He attributed much of this progress to the liberalization of their trade and investment regimes, the adaptation of their economic structures and the strengthening of their export capacity. He noted, however, that the recovery would be short-lived if the present economic expansion were not translated into new investment in physical and human infrastructure, as well as in industry and agriculture. Moreover, persistent problems were likely to remain, such as these countries' access to markets, the volatility of commodity prices, and their difficulties in terms of access to capital and technology. He argued that developing countries' comparative advantage had continued to be partly nullified by the continued presence of non-tariff barriers, the misuse of anti-dumping measures and countervailing duties, and the erosion of preferences. He joined others in stressing the need for increased levels of ODA and for debt relief, and welcomed the HIPC initiative in this connection. He pointed out that since nearly all the major problems of development were global in nature, they could only be effectively dealt with through a new global partnership for development involving both developed and developing countries.

183. The representative of **Luxembourg**, speaking on behalf of the **European Union**, took issue with a number of the findings of document TD/B/44/12. She felt that the conclusions of the report overstated the risks inherent in countries'

liberalization options and underestimated the positive effects that could be derived from certain liberalization policies. She also said that the advocates of liberalization policies in no way supported blanket and undifferentiated approaches. She expressed regret that the question of regional integration had not been addressed in the report in connection with liberalization policies. In this regard, regional integration could facilitate the exploitation of economies of scale and create an economic space that was more competitive, stable and attractive to foreign investors. While acknowledging the risks associated with volatile capital flows and exchange rate movements, she pointed out that the challenge for Africa of attracting FDI was of greater significance than any problems that might arise from volatile short-term capital flows. She also went on to say that the document should have analysed in greater depth the political and macroeconomic constraints that inhibited investment in Africa. More attention in this connection should have been given to the questions of "good governance", such as appropriate regulations, market competition, transparency, an independent judiciary, and strengthened customs services, financial institutions and other intermediaries. On the other hand, she agreed with the report regarding the negative repercussions that could accompany, within the framework of agricultural liberalization, the dismantling of marketing boards. Like the report, she expressed concern that exporters and middlemen, rather than producers, had been the main beneficiaries of such policies. She also agreed that debt relief through the HIPC initiative was an indispensable ingredient for enabling qualifying African countries to aspire to sustainable economic growth. However, the economic dimension was only one aspect crucial to African development. There was need for an integrated approach to African development that included political, social and environmental dimensions, as well as purely economic objectives.

184. The representative of **China** spoke about his country's ties with Africa. Between 1956 and 1995, China had provided assistance in the form of over 500 projects in 52 African countries. Assistance also included training as well as material and technical assistance. In 1996, China's total volume of trade with Africa had exceeded US$ 4 billion, which was more than four times the aid provided in 1990. Also, Chinese trade with Africa had grown rapidly in the 1990s. He predicted that total Sino-African trade in 1997 would exceed US$ 5 billion. In order to strengthen its economic and trade cooperation with Africa, the Chinese Government had decided to set up "investment and trade promotion centres" in 10 African countries and a "Chinese industry development zone" in one of these countries. China would continue to foster modes of cooperation with Africa that would contribute to the latter's efforts to achieve sustainable growth.

185. The representative of the **Republic of Korea** noted that African countries in the past, despite their plentiful natural resources, had not been able to benefit from the globalization process due to supply-side capacity constraints, infrastructure shortcomings and political instability. Although ODA had declined in real value, he felt that FDI could play a positive role in the development of African and other LDCs. His country had been giving over 20 per cent of its ODA to Africa. This assistance consisted of grant projects, in-kind assistance and the dispatch of medical teams and other volunteers to Africa. While ODA from the international community was important, the achievement of Africa's development goals depended primarily on African countries' own efforts. They should have their own vision and the political determination to bring these goals to fruition. International assistance could play only a secondary, supportive role.

186. The representative of **South Africa** said that Africa's economic upturn should be seen largely in the light of the adoption by many African countries of sound macroeconomic and liberalization policies that had enabled them to integrate more effectively into the global economy. The private sector, though still nascent in most African countries, was thriving; the public bureaucracy had been streamlined; and more attention was being given to efficient human resources management and development. He also pointed out that peace had been re-established in a number of formerly strife-torn countries. However, African Governments needed to do more in terms of adopting stable macroeconomic policies, creating an investment-friendly environment and making their economic practices more transparent. At the same time, in addition to the primary responsibility African Governments had for their own development, a conducive external environment was also necessary. In particular, the international community needed to deal on an urgent basis with the onerous debt burden that practically all African countries faced. The international community also had a responsibility for ensuring that the integration of Africa into the world economy would be beneficial to Africa. This latter objective could be accomplished by allowing favourable access for African commodities; by facilitating the transfer of productive investment, technology and know-how to Africa; and by providing assistance regarding the negative consequences that might arise from volatile short-term capital flows.

187. The representative of **Ghana**, referring to Africa's competitiveness in the world economy, pointed out that, despite claims by some observers that Africa could derive certain gains from liberalization policies, there were no automatic rewards for weak economies. The liberalization policies adopted by many African Governments had exposed these countries to severe competition from imported goods and services, often with extreme repercussions for domestic industries. African Governments therefore needed to adopt concrete policies that would increase their countries' competitiveness. They should work with the private sector to develop a congenial atmosphere for the domestic production of essential goods and services. Moreover, the private sector, Governments and the international community should work together to develop the infrastructure and entrepreneurial skills necessary for domestic enterprises to become more competitive and able to withstand the onslaught of a liberalized economic environment. To avoid the pitfalls of overprotection, protection measures should be selective and combined with financial support and access to relevant technologies. This was also true for export sectors where countries had a natural competitive potential. Local business role models should be promoted to foster the emergence of effective and efficient production units, while core business groups, with full government support, should be supported as part of an effort to entrench an entrepreneurial culture. All private sector participants, irrespective of political affiliation, ought to be encouraged by African Governments to participate in the development of local entrepreneurial bases. International agencies could support these efforts to boost the competitiveness of African economies by providing concrete assistance aimed at enhancing this entrepreneurial development process.

188. The representative of **Senegal**, while congratulating the UNCTAD secretariat on the preparation of document TD/B/44/12, regretted that the document had not addressed the question of the effectiveness of the technical assistance provided within the framework of the United Nations New Agenda for the Development of Africa in the 1990s (NADAF) in contributing to the economic upturn of Africa. He agreed with the statement concerning the need of Africa for more investment, and indicated that the reason why more FDI had not entered Africa was the lack of legal safeguards and other measures that were consistent over time and thus could enable investors to be confident of what to expect. The absence of such

safeguards for FDI could not be overcome by the attractions of tax-free holidays and other fiscal inducements. With this in mind, Senegal had joined two other African countries to create an African institution called the Organization to Harmonize the Rights of Businesses in Africa (OADA). In noting that France, Japan and the United Nations Development Programme (UNDP) had financially supported the establishment of the OADA project, he expressed hope that the UNCTAD secretariat would look into ways to assist the setting-up of OADA in Africa.

189. The representative of **Japan** said that, in 1995, his country had provided more than US$ 1.3 billion of bilateral ODA to Africa, of which US$ 748 million had been in the form of grant aid. In addition, a number of initiatives had been undertaken by his Government to increase general awareness of African problems and to consolidate cooperation on the part of the international community towards the region. This included the 1993 Tokyo Conference on International Development, the 1997 Okinawa Conference for Development, and several international seminars in Tokyo on new development strategies. A second Tokyo International Conference on African Development would be held in 1998 to review developments since the first conference and to formulate a programme of action. He also referred to his Government's support for a project under implementation by UNCTAD in which the lessons from the East Asian development experience were to be examined in terms of their applicability to African countries.

190. The representative of **Cuba**, focusing on the issues of globalization and interdependence, expressed appreciation and full support for the findings of the *Trade and Development Report, 1997*. He went on to comment on the widening global inequality and marginalization of African and other poor countries as a result of globalization, as well as the growing polarization of incomes within developing countries that was attributable to globalization. It was wrong to justify growing income inequality as a price worth paying for participation in the globalization process. It was regrettable that the paradigm of liberalization policies forming part of the globalization process had marginalized other concepts and models of development. UNCTAD had an important role to play in this respect in analysing and providing technical assistance enabling developing countries to understand and manage the implications for them of changes in international trade, investment and finance. He also noted that his country had suffered from the Helms Burton Act and other measures taken by the United States to hinder Cuba's development.

191. The representative of **Norway** stated that the recent economic upturn in Africa was fragile since it had remained vulnerable to fluctuations in commodity prices. To achieve sustained growth, it would be necessary to utilize the increase in export earnings to upgrade industrial capacity and invest in both physical and social infrastructure. That would eventually increase Africa's competitiveness in export markets and reduce its dependence on imported goods. The debt burden and diminished flows of ODA, however, rendered those prospects remote for many African countries. The HIPC initiative was essential for reducing the debt burden, but its success depended on all parties involved accepting their share of the burden: creditors had to be prepared to grant debt relief in line with the proposals of the Bretton Woods institutions; donors had to provide the funds required; and debtor countries had to undertake sound economic policies. His country would continue to press for 90 per cent debt relief in the Paris Club within the framework of the initiative, and it had urged all donors to meet the agreed ODA target of 0.7 per cent of gross domestic product (GDP).

192. The representative of **Egypt** noted that there were grounds for cautious optimism regarding the improved economic performance of Africa. With regard to document TD/B/44/12, he was of the opinion that, besides differentiating between North Africa and sub-Saharan Africa, it would have helped to have disaggregated sub-Saharan Africa into distinct subregions, given that the performance of this group of countries had been diverse. He agreed with the statement in the document that the dearth of detailed data and information on African countries made analysis of the region more difficult. Moreover, he would have liked to have seen more attention given to the role of the international community in the sectors of interest to African countries. In this connection, he welcomed the various initiatives on Africa launched by the United States, Japan and the European Union. He regretted that the conclusions of the document had not been more detailed with respect to the fall in investment in the region, the competing demand for resources presented by import and debt-servicing requirements, the deterioration in Africa's terms of trade and the decline in manufactured goods in many African countries. Future analytical work on Africa by the UNCTAD secretariat should include the role of the terms of trade, export performance, market access and investment flows in African development, including further actions to be taken at the domestic and international levels. Other important areas were an analysis of the information infrastructure in Africa and of how regional integration could contribute to development in Africa. The approach adopted in the document of asking what could be done to make the recovery in Africa sustainable should be continued in the future analytical work of UNCTAD on Africa.

193. The representative of the **United Republic of Tanzania** emphasized the importance of infrastructure to the development of African economies. Investment would not take place and market access would not be an issue if products could not reach markets in the first place. Despite recognition by the international community that inadequate infrastructure was a bottleneck for African development, the problem of undependable infrastructure remained. For its part, agriculture continued to suffer from price volatility, and more support for the Common Fund for Commodities by the international community was needed. In this connection, he emphasized the need for African economies to diversify horizontally and vertically in agriculture.

194. The representative of the **Organization for African Unity** stated that any attempt to implement an initiative that did not take into full consideration the circumstances of small island developing countries in Africa would be futile and counterproductive. Also, the Common Fund for Commodities should play a crucial role in providing special financial assistance for the promotion of commodity diversification in Africa. He endorsed the analysis provided in document TD/B/44/12 relating to investment issues, since investment represented a priority area for African development. However, he was also of the view that the interactions between trade, investment and environmental policies should be added to Africa's priorities with regard to the implementation of UN-NADAF. UNCTAD should conduct a study to pinpoint where investment was needed in order to strengthen the institutional capacity that was necessary to implement environmental policy in Africa.

Informal meetings

195. The Sessional Committee pursued its consideration of agenda item 5 in informal meetings.

Action by the Board

196. Acting on the recommendation of the Sessional Committee, the Board, at its 890th plenary meeting, on 22 October 1997, adopted agreed conclusions 443 (XLIV). (For the text of the agreed conclusions, see TD/B/44/19(Vol.I)).

Chapter IV

TECHNICAL COOPERATION ACTIVITIES

(Agenda item 6)

(a) Review of technical cooperation activities of UNCTAD

197. For its consideration of this subitem, the Board had before it the following documentation:

"Overview of technical cooperation activities of UNCTAD: Report by the Secretary-General of UNCTAD" (TD/B/44/11 and Corr.1);

"Review of activities undertaken in 1996" (TD/B/44/11/Add.1 and Corr.1);

"Statistical tables" (TD/B/44/11/Add.2).

"Agreed conclusions of the Working Party on the Medium-term Plan and the Programme Budget at the first part of its thirtieth session" (TD/B/WP/L.79).

198. The **Chairman of the Working Party on the Medium-Term Plan and the Programme Budget at its thirtieth session** said that the Working Party had reviewed the technical cooperation activities of UNCTAD, programme by programme. It had also considered a number of general issues concerning the technical cooperation programme as a whole, including recent developments and future prospects regarding the mobilization of resources, the distribution of activities among countries, regions and programmes, and proposals regarding financial self-sustainability and cost recovery in certain technical cooperation programmes. The Chairman recommended to the Board the adoption of the draft decision included in the agreed conclusions of the Working Party, as contained in document TD/B/WP/L.79.

199. The spokesperson for the **African Group** (Tunisia) commended UNCTAD for the variety of technical cooperation activities undertaken in 1996. Her Group supported a further strengthening of programmes dealing with the integration of developing countries into the new international trading system, institutional capacity-building, human resources development, and infrastructure and technological upgrading. She applauded the focus on Africa, as reflected in the technical cooperation strategy, and the intention to allocate 40 per cent of the technical cooperation budget to LDCs by 1999.

200. While acknowledging the importance of regional programmes, she expressed the hope that future projects would increasingly be undertaken at the country level, as national programmes were more targeted towards the specific needs of individual countries. She further expressed support for the secretariat's "demand-driven" approach and requested that the secretariat make available a handbook on its ongoing and envisaged programmes with a view to sensitizing Governments and prompting technical assistance requests. She encouraged UNCTAD to give special attention to African countries, and in particular to LDCs, in all its activities and to contribute effectively within its mandate to all initiatives in favour of Africa. She welcomed in particular UNCTAD's participation in the elaboration of the integrated country programmes for least

developed countries and looked forward to its active participation in the forthcoming High-level Meeting on Integrated Initiatives for LDCs' Trade Development and in the implementation of its outcome.

201. Her Group supported the principle of cost-sharing but only to the extent that the basic logic underlying technical cooperation was not lost, and it expressed concern at the pressure being exerted on beneficiary countries to contribute to the financing of their technical cooperation programmes. She requested the secretariat to prepare a paper on the overhead charges levied on projects and expressed the hope that the paper would outline possibilities for reducing or eliminating these costs when they had to be borne by developing countries. The secretariat should increase its fund-raising and resource-mobilization efforts to avoid a situation where a number of priority programmes remained pending due to a lack of funding. It should strike a balance between the needs of beneficiary countries and donors' preferences and encourage untied contributions.

202. UNCTAD should continue to link the findings of its policy analysis to its technical assistance activities and work in close cooperation with the OAU and the ECA in this respect. It should also organize relevant information technology training courses for Geneva-based diplomats with a view to improving their exposure to useful information on trade, investment and related issues.

203. She expressed support for the GSTP programme and stressed the need to invigorate and further activate it. Developed countries should review and improve their GSP schemes, and UNCTAD should continue helping African countries to make full use of GSP benefits. Finally, she expressed support for UNCTAD's assistance to the Palestinian people and requested the secretariat to make all possible efforts to secure the necessary funds for these activities.

204. The spokesperson for the **Asian Group and China** (Sri Lanka) said his Group attached great importance to the objectives of UNCTAD's technical cooperation activities and fully endorsed the agreed conclusions of the Working Party. His Group was particularly pleased with the adoption of a strategy for UNCTAD's technical cooperation activities that addressed the practical problems of trade and development in an era of globalization and liberalization. The implementation of the strategy was critically dependent on the availability of resources, and he welcomed the positive trends in the mobilization of funds for UNCTAD's technical cooperation activities since the previous year. Those trends indicated the effectiveness and impact of UNCTAD's programmes and the confidence placed in UNCTAD by donors. He hoped UNCTAD would ensure a better relative balance in the share of technical cooperation expenditure of the various regions, taking into account their respective needs. In doing so, UNCTAD should ensure that all LDCs were treated on an equal basis. Finally, he expressed support for activities carried out in support to the Palestinian people.

205. The representative of **Norway** said his country was giving high priority to UNCTAD's technical cooperation programme, and linkages should continue to be strengthened between UNCTAD's analytical and operational work. In conformity with the Midrand Declaration, his country believed that assistance should be targeted primarily towards the least developed countries, and in this respect he welcomed the increased share of assistance going to the poorest countries. In that connection, his country had just announced a contribution of nearly US$ 1 million to the LDC Trust Fund. In view of the correlation between trade and economic growth in developing countries, priority should be given to trade-related assistance to the LDCs in the areas of institutional capacity-building,

strengthening of negotiating capacity, enhancing the efficiency of trading, product and export market diversification, and enhancing the understanding of investment issues.

206. Since the previous year, the focus and distribution of UNCTAD's technical cooperation programme had been improved, and the draft decision submitted by the Working Party contained important elements for a well functioning programme. He commended the secretariat for its efforts to provide better and more transparent information concerning projects, financing and duration, and the rolling three-year plan for technical cooperation should ensure the most efficient use of the financial resources available. He requested a short updated fact sheet on each of the major technical cooperation activities in which UNCTAD was involved.

207. The Norwegian technical assistance "package" for UNCTAD for 1997, which was channelled through the LDC Trust Fund, was aimed at activities in the field of debt management, capacity-building for a possible MFI, TRAINFORTRADE, BIOTRADE and a seminar on portfolio investments in the LDCs. In addition, a sum of $100,000 was non-earmarked.

208. He reaffirmed the importance of increased coordination between UNCTAD, ITC and WTO in the provision of their technical assistance, and the Joint Integrated Technical Assistance Programme in selected African countries was an example in this respect. Finally, his country attached great importance to a concrete outcome of the High-Level Meeting on Integrated Initiatives for LDCs' Trade Development, to take place later in October. An integrated framework for trade-related technical cooperation, requiring the cooperation of several institutions dealing with technical cooperation, would hopefully be the outcome of that Meeting.

209. The representative of **Ukraine** said the report before the Board gave a comprehensive view of UNCTAD's technical cooperation activities. She noted with satisfaction that financial resources for technical cooperation activities had been expanding and that UNCTAD had developed a clear comparative advantage in extending valuable technical cooperation programmes to developing countries and countries in transition. Referring to the negotiations relating to the accession of her country to the WTO, she said that UNCTAD should continue to provide support to acceding countries and also focus its assistance in the area of services. UNCTAD's help was particularly important in providing support to developing countries and countries in transition in fully utilizing new opportunities which had resulted from the conclusion of the Uruguay Round Agreements, in cooperation with the WTO.

210. The representative of **Romania** said his country appreciated the activities carried out under UNCTAD's technical cooperation programme and the positive developments that had occurred in 1996. He welcomed the adoption of a strategy to be implemented through rolling three-year plans to be updated on a yearly basis. He also noted with satisfaction the increased cooperation with other organizations, in particular WTO and ITC. UNCTAD had developed a number of very useful programmes, in particular ASYCUDA, DMFAS, the Trade Points Network and the database on trade and investment, as well as TRAINFORTRADE, TRAINMAR and EMPRETEC. He wished to express his appreciation for the support extended to Romania and the hope that this assistance would be continued in the future in those areas where UNCTAD had a clear comparative advantage. Finally, he invited bilateral donors, UNDP and other international financial institutions to increase their contributions to UNCTAD's technical cooperation programmes.

211. The representative of **Morocco** welcomed the fruitful discussion which had taken place during the Working Party's recent session on technical cooperation activities and expressed satisfaction at the positive evolution of the financial resources available for these activities. He noted the growing share of resources allocated to LDCs and to African countries and hoped this trend would continue, in accordance with the priorities agreed at UNCTAD IX. He encouraged the secretariat to continue its useful and action-oriented activities such as TRAINFORTRADE, ASYCUDA, DMFAS, GTPNET and ACIS. Greater focus could also be given to other programmes, in particular in the area of investment, and in that connection he welcomed the extension of EMPRETEC to Africa.

212. Although his country supported the demand-driven approach, this could have a negative impact on those countries which were not aware of the possibilities offered by the programme. For this reason, his delegation requested the publication by the secretariat of a handbook whose objective would be to attract the attention of possible beneficiaries of UNCTAD's technical cooperation.

213. He noted that, in Africa, the value of regional projects exceeded that of national projects, and he expressed the hope that activities in that region would increasingly be undertaken at the country level. He supported the practice of conducting a programme-by-programme evaluation of technical cooperation activities with a view to rationalizing them, and he hoped that such an evaluation would include quality control at the project design, implementation, monitoring and evaluation stages. Finally, he expressed support for activities undertaken by UNCTAD in favour of the Palestinian people.

214. The representative of the **Russian Federation** welcomed the review of technical cooperation activities undertaken by the Working Party, along with its agreed conclusions. He stressed the positive evolution of financial resources available for technical cooperation in UNCTAD and the increasing share being received by LDCs. He underlined how important it was for UNCTAD's technical cooperation activities to follow the principle of universality and for the strategy to be implemented on the basis of the rolling three-year plan. Finally, he stressed the importance of increasing cooperation with other organizations within the United Nations system in the area of technical cooperation and looked forward to further consideration of the issue of cost-recovery once a number of legal issues had been clarified.

215. The spokesperson for the **Latin American and Caribbean Group** (Peru) said that UNCTAD's technical cooperation programme was an important element in helping countries to reap the benefits of globalization and liberalization. With regard to the distribution of expenditure, he noted with concern the decrease by 21 per cent of expenditures in his region, which had received only US$ 1.9 million out of a total of US$ 22.4 million spent in 1996 and only US$ 1.1 million of the US$ 16.8 million spent in the period from January to June 1997. If that trend continued, there would be no technical cooperation projects in the region by the year 2002.

216. He expressed concern at the increased reliance on trust fund contributions to finance UNCTAD's technical cooperation activities, which might result in donor-driven priorities. His Group could not accept that priorities in the area of technical cooperation be determined by donors, and in that regard he reaffirmed the importance of the principle of non-conditionality and the need for priorities to be set by beneficiaries. He urged member States to fully recognize the priorities set at UNCTAD IX and in the technical cooperation strategy and to use the rolling three-year plan as a basis for determining future

project activities and for assuring more effective supervision. With regard to cost recovery and the financial sustainability of projects, he took note of the secretariat's proposals and said they required clarification and more in-depth analysis in respect of their financial sustainability. Prior to any decision, it would be important to examine the legal, financial and administrative issues involved.

217. With respect to future trends, UNCTAD's increasing technical cooperation activities must be result-oriented, and the objective should be not only a better regional distribution of resources but also a more focused approach. Technical cooperation projects should aim primarily at strengthening institutional and national capacities and at facilitating access to new technologies in the field of trade and investment. In the Latin American and Caribbean region, the secretariat had a special role to play in facilitating the development of triangular cooperative activities, and in so doing, it should better coordinate its activities with regional initiatives, in particular those undertaken by ECLAC and SELA. With improved project triangulation, donors would be able to utilize UNCTAD as an instrument to foster cooperation among developing countries, including the least developed ones. Finally, UNCTAD should make use of existing capacities in the region, and experience gained in Latin America with regard to regional integration, trade promotion and investment should be taken into account. He invited the secretariat to utilize more experts and training capacities available in the regions in its technical cooperation programmes.

218. The representative of **Luxembourg**, speaking on behalf of the **European Union**, said the regular evaluation of UNCTAD's technical cooperation activities was one of the major results of UNCTAD IX. The establishment of an integrated technical cooperation programme in favour of LDCs was the main objective of the High-level Meeting on Integrated Initiatives for LDCs' Trade Development to be held on 27 and 28 October. The European Union would fully support that objective and counted on the full support of UNCTAD in fulfilling that task. The European Union, which, through the contributions of its member States, was UNCTAD's largest contributor for technical cooperation, supported the agreed conclusions of the Working Party and was in particular in favour of the establishment of priorities among UNCTAD's numerous technical cooperation projects.

219. The representative of **Switzerland** said that the technical cooperation strategy and the rolling three-year plan were very important tools for the implementation and monitoring of UNCTAD's technical cooperation activities. She welcomed the recommendations of the Working Party, in particular the practical proposals to ensure greater transparency, and stressed that technical cooperation activities should aim at supporting the implementation of policies decided by national authorities.

220. The existing three-year plan did not give a clear idea of the strategy to be implemented by UNCTAD in the various areas of activity, and she encouraged the secretariat to work in two complementary ways in that connection. Firstly, a clear and detailed implementation strategy should be established for each area of work. This should allow a better evaluation of the interlinkages between analytical and operational activities and also greater participation of beneficiary countries in the design of technical assistance projects. Secondly, past experience must be utilized to increase the efficiency of technical assistance, and evaluations undertaken on each project and programme must be widely disseminated. In this regard she supported the proposed in-depth evaluation of the Global Trade Point Network, which should include an evaluation of trade points. More information should also be provided on the respective

share of regular and extrabudgetary resources in the technical cooperation of UNCTAD, as well as on partial cost-recovery.

221. Finally, she expressed appreciation for the efforts made by the secretariat to increase cooperation with other agencies in the field of trade. In this regard she looked forward to the High-level Meeting on Integrated Initiatives for LDCs' Trade Development and asked UNCTAD to support the implementation of the integrated approach in the area of technical cooperation that would hopefully emerge from that Meeting.

222. The representative of **Senegal** underlined the importance attached by his country to the TRAINFORTRADE and Trade Point programmes and thanked the secretariat for setting up a Trade Point in Dakar. He noted with regret, however, the difficulties encountered in the follow-up of the TRAINFORTRADE programme in his country, notwithstanding the availability of funds. In this regard, he wished to underline the importance of the secretariat ensuring the effective follow-up of technical cooperation activities.

223. The representative of **Japan** welcomed the outcome of the Working Party and underlined the need to strengthen the linkages between UNCTAD's expert meetings and its technical cooperation activities. He also stressed the importance for UNCTAD of continuing to support activities designed to strengthen South-South cooperation.

224. The representative of the **European Community** said he supported the establishment of a strategy as an excellent way to strengthen the linkages between analytical work and technical cooperation. The European Community was the major contributor to UNCTAD's technical cooperation programmes, accounting for over 25 per cent of total contributions in 1996. He noted with satisfaction the increasing share of activities being self-financed by developing countries, and with respect to the concern expressed that increased reliance on trust fund contributions could result in donor-driven priorities, he said he was confident that donors shared the same concerns as developing countries with regard to their development needs and that dialogue with the UNCTAD secretariat would ensure the best possible allocation of funds in accordance with the priorities established at UNCTAD IX.

225. There was a need to set priorities and establish a clear distribution of responsibilities between UNCTAD, WTO and ITC with a view to encouraging synergies and avoiding duplication, and in that respect he stressed the importance of coordination in the follow-up to the High-level Meeting on Integrated Initiatives for LDCs' Trade Development. He also stressed the importance of UNCTAD's technical cooperation programmes being demand-driven and responding to specific needs, in particular in the field of new technologies. The secretariat should establish follow-up mechanisms and quality control at the project design, implementation, monitoring and evaluation stages. Finally, he noted the proposals put forward on the question of partial cost recovery with a view to contributing to the financial self-sustainability of selected programmes.

226. The representative of **Bangladesh**, while recognizing the importance of strengthening supply capacities and ensuring market access for LDCs, stressed the importance of developing the social sectors and infrastructure. In this regard he asked UNCTAD to strengthen its technical assistance programme in these fields and to cooperate closely with other United Nations agencies concerned.

He also stressed that each and every LDC should get equal priority in receiving technical assistance from UNCTAD.

227. The **Chief, Inter-organizational Affairs and Technical Cooperation**, said the rich discussion at the present session fulfilled the desire of UNCTAD IX that the Board undertake a policy review of UNCTAD's technical cooperation. The preparation by the Working Party at its meeting earlier in October had clearly been helpful in this regard. The secretariat had already started work on preparing the technical cooperation manual requested by several delegations, and updated fact sheets on technical cooperation would also be made available. Training programmes would be undertaken in light of the evaluation of TRAINFORTRADE that the Working Party would carry out in December 1997. Priorities for UNCTAD's technical cooperation would be reflected in the updated three-year plan that would also be reviewed by the Working Party later in the year. The desire of the Latin American and Caribbean Group to encourage more technical cooperation activities in that region could best be met through closer collaboration among Governments, the secretariats of interregional and regional economic groupings, financial institutions and the UNCTAD secretariat.

Action by the Board

228. At its 888th plenary meeting, on 17 October 1997, the Trade and Development Board endorsed the agreed conclusions of the Working Party on the Medium-Term Plan and the Programme Budget (TD/B/WP/L.79) and adopted the draft decision recommended by the Working Party therein. (For the text of decision 444 (XLIV), see TD/B/44/19(Vol.I)).

(b) Consideration of other relevant reports: Report on UNCTAD's assistance to the Palestinian people

229. For its consideration of this subitem, the Board had before it the following documentation:

"Report on UNCTAD's assistance to the Palestinian people" (TD/B/44/10).

230. The **Officer-in-charge of the Special Economic Unit** said that the thrust of UNCTAD's work in this area had focused upon operational activities, in tune with the changing needs of the Palestinian people and in line with the new opportunities created by the Middle East peace process. The secretariat's Programme of Technical Cooperation Activities in Support of Palestinian Trade, Finance and Related Services had been endorsed by the Palestinian Authority (PA), and UNCTAD's efforts represented a concrete response to requests of the PA for technical assistance, in a manner that emphasized synergies between UNCTAD's analytical and operational competencies.

231. The report before the Board reviewed recent orientations in UNCTAD's work on this issue, in the light of the critical economic situation in the Palestinian territory and the persistent need for international assistance. Political and security considerations continued to have a strong impact on Palestinian legal, regulatory, institutional and human resource development, despite the promises of the Israel-Palestine peace accords. Coupled with the uncertainty surrounding future political arrangements, this had prolonged economic hardship and uncertainty. Such a situation could, at best, reduce public confidence in the economic dividend widely expected from the peace process and, at worst, promote stagnation and deprivation that could undermine the peace process.

232. The vulnerability of the Palestinian economy to the changing fortunes of the peace process had reinforced a host of structural weaknesses arising from prolonged neglect and isolation. Recent trade performance indicated a precarious external trade position, and there were a number of problem areas where international support, including technical cooperation, was urgently required.

233. An increasingly participatory approach to technical cooperation had become necessary to enable the United Nations to respond positively to General Assembly resolutions on assistance to the Palestinian people and the requests of the Palestinian Authority in priority areas. Of the 10 projects detailed in the report, the secretariat had to date been able to successfully implement one, commenced the implementation of a second, and had just been informed of approval for funding of a third. For the three funded projects, UNDP had allocated more than $400,000.

234. The orientation of UNCTAD's future assistance to the Palestinian people would be guided by the provisions of UNCTAD's subprogramme 9.1 in the United Nations Medium-Term Plan for the period 1998-2001. The secretariat would continue to seek the active support of various sources of extrabudgetary funding, as well as the guidance of the Board.

235. The representative of **Palestine** expressed his satisfaction at the reinstatement of the item on assistance to the Palestinian people in the agenda of the Board and thanked the Special Economic Unit for its unique efforts in providing different forms of assistance in support of Palestinian development efforts. He was pleased to convey the affirmation of the Secretary-General of UNCTAD that the work of the UNCTAD secretariat, in particular the Special Economic Unit, for assistance to the Palestinian people would continue with the same vitality as before. This would necessitate in particular the appointment of a new Chief of the Unit so as to maintain the momentum of work and efforts to mobilize extrabudgetary funding. The approach to technical cooperation adopted by the secretariat in connection with the Palestinian people set an example for other organizations.

236. The report before the Board summarized the main features of the critical, deteriorating Palestinian economic situation, and confirmed the difficulties facing Palestine today in its efforts to lay the basis of a modern national economy. In particular, he noted the destructive economic impact of Israeli measures since 1996 on the livelihood of workers, agricultural output and trade, investment and industrial activity. Most recently, Israeli measures had halted the orderly transfer of customs and other tax receipts owed to the Palestinian Authority, as stipulated by the accords between the two parties. While insisting on the mutual respect of economic accords between Palestine and Israel, he also called for mutual respect for the interests and aspirations of the Israeli and Palestinian peoples. Palestine had not signed its accords with Israel to become an appendage or agent, as some might imagine. Palestine had chosen the strategic option of peace with Israel for a better future for its people in their independent state on their national soil, with Jerusalem as its capital. It was high time for Israel and other hesitant countries to explicitly recognize the inevitability of the exercise of the right of the Palestinian people to self-determination.

237. UNCTAD must continue its valuable research on Palestinian economic prospects, while intensifying its activities in the field of technical cooperation. The secretariat's project proposals reflected important priority areas for the Palestinian economy, and he welcomed the efforts by the secretariat to mobilize the necessary funding for them. He called upon the members of the Board, and especially members of the Consultative Group of donors, to make the necessary resources available for their rapid implementation. In concluding, he emphasized the continuing historic responsibility of the United Nations, including UNCTAD, in respect of the Palestinian issue until the peace process succeeded and Palestine could take its place as a full member of the Board and other international agencies.

238. The spokesperson for the **Asian Group and China** (Sri Lanka) said that since the establishment of the Special Economic Unit in 1985, UNCTAD had become a prominent and reliable source of information and analysis on the Palestinian economy. The orientation of the secretariat's work had developed in line with the new circumstances and the growing needs of the Palestinian people.

239. The establishment of the Palestinian National Authority had been a welcome development that had created new opportunities for the emergent Palestinian economy, which, however, was still vulnerable and at risk from the threats to the peace process. The stagnation in Palestinian economic activity and the sharp decline in Palestinian external trade over the past few years posed serious questions as to the economic benefits that the Palestinian people could expect from a peace process which had yet to bear its full fruits. He stressed the continuing responsibility of the United Nations in respect of the question of Palestine in general and the economic and social plight of the Palestinian people in particular.

240. The setbacks and problems experienced in the recent period had created new challenges for the Palestinian Authority in planning and managing the development of the economy. This had created new responsibilities for UNCTAD in terms of intensifying and widening the scope of its assistance. He praised the integrated manner in which the secretariat had drawn upon its analytical and operational capacities to provide concrete proposals for technical assistance to the Palestinian people. The success in mobilizing resources from UNDP attested to their seriousness and relevance.

241. He hoped that all concerned members of UNCTAD would give serious consideration to helping in mobilizing the required support for technical assistance activities, which would deliver cost-effective and much-needed assistance to the Palestinian people. With further progress in the peace process, it was expected that UNCTAD's role in this area would grow.

242. The representative of **Pakistan** said that the review of the policy environment affecting the Palestinian economy made for very sombre reading. The hopes raised by the peace process were far from being realized, with a further deterioration in the already disheartening economic indicators. The stagnation in income, the growing poverty and the growing unemployment posed critical challenges for the performance of the economy. The dialectic between peace and development was perhaps particularly evident in the case of Palestine. He noted the efforts of the Palestinian Authority to strengthen regulatory and

institutional frameworks in order to improve the environment for investment in trade, but given the extremely difficult political and security environment, the economic situation of the Palestinian people remained a matter of great concern.

243. As provided for in subprogramme 9.1 of the United Nations medium-term plan for 1998-2001, UNCTAD should continue to assist the Palestinian people to develop capacities for effective policy-making and management pertaining to international trade investment and related services. This gave UNCTAD a fair amount of scope, and he urged the secretariat to formulate programmes which adhered to two basic principles: first of all, all programmes should be demand-driven, especially since, when state structures were weak, with limited managerial capacities, there was a tendency for well organized international secretariats to sell their programmes, something that should not happen. Secondly, the question of coordination with the large number of agencies operating in the field in Palestine became of paramount importance. Finally, he questioned the factors behind the gap referred to in the report between the total pledges by the international community to assist the Palestinian Authority and the actual disbursements.

244. The spokesperson for the **African Group** (Tunisia) expressed full support for UNCTAD's assistance to the Palestinian people. She congratulated the UNCTAD secretariat for going beyond the stage of analytical work to the stage of operational activities, as well as for its consultation with the Palestinian Authority for the elaboration and implementation of assistance programmes. Nevertheless, she could not understand how the necessary funds for the establishment of the two Palestinian Trade Points could not be mobilized given the popularity of the Trade Point network with the donor community. With the addition of a private sector role, funds should be easily available. She called on UNCTAD to pursue its fund-raising efforts in this regard more vigorously.

245. The UNCTAD was required to take into consideration the daily changes in the situation in Palestine in updating its programmes, so as to respond in the best possible manner to the specific needs of the Palestinian Authority. The latter was well advanced in associating the private sector in all programmes under way. She noted the lack of funding for a certain number of approved pending programmes, and she called upon the donor community to respect their engagements towards the Palestinian Authority so that UNCTAD and other agencies could implement the appropriate programmes.

246. The representative of **Morocco** expressed his delegation's satisfaction with the implementation of the programme of technical cooperation in favour of the Palestinian people. However, the degradation in the economic and social indicators for the Palestinian territory were such that the Palestinian people required the technical assistance of UNCTAD more than ever before. The stagnation of trade, the trade deficit and problems in the labour market and in living conditions in general were all factors which mitigated in favour of intensified technical support for the Palestinian people.

247. In accordance with the priorities already established and the relevant General Assembly resolutions, UNCTAD must strengthen and improve its technical cooperation in favour of the Palestinian people. He noted with great satisfaction that the Unit in charge of technical assistance to the Palestinian

people had been maintained. It was hoped that donors would be able to augment their financial support so that the programmes indicated in the secretariat report could be implemented in full.

248. The representative of **Egypt** expressed appreciation for the transformation of the work of the Special Economic Unit from the mainly analytical realm to operational activities which drew upon the analytical work. He called upon the secretariat, as well as States and organizations, to redouble their efforts to make available the necessary resources to implement the seven pending unfunded projects mentioned by the secretariat, so as to assist the Palestinian people in building their economy. In this respect, it would be useful to know what factors had delayed the disbursement of funds pledged by different countries to assist the Palestinian people. In conclusion, he urged the States concerned to expedite the delivery of funds according to existing pledges.

249. The **Officer-in-charge of the Special Economic Unit** reaffirmed that the secretariat would redouble its efforts to mobilize the necessary resources for the implementation of pending technical cooperation projects. As for the low rate of aid disbursement, he cited four factors. Initially, there had been some delays on the part of the donors themselves in the actual mobilization and allocation of the resources pledged early on in the peace process. Subsequently, the institutional capacity of the Palestinian Authority to manage a substantial programme of assistance had also become a factor. Thirdly, with the deterioration of the economic situation since 1996, a large portion of potential development funds pledged by donors had been diverted to current expenditures of the Palestinian Authority and various relief programmes for unemployed workers. A fourth factor had been the issue of coordination between donors, recipients and the various agencies involved. This last problem appeared to have been resolved, and henceforth there would be one integrated Palestinian Development Plan presented to donors which would combine World Bank, United Nations and bilateral and other projects within a comprehensive framework.

Action by the Board

250. At its 888th plenary meeting, on 17 October 1997, the Trade and Development Board took note of the secretariat's report on UNCTAD's assistance to the Palestinian people (TD/B/44/10).

Chapter V

OTHER MATTERS IN THE FIELD OF TRADE AND DEVELOPMENT

(Agenda item 7)

(a) Specific actions related to the particular needs and problems of land-locked developing countries

251. For its consideration of this subitem, the Board had before it the following documentation:

"Progress report by the UNCTAD secretariat" (TD/B/44/9);

"Report of the Meeting of Governmental Experts from Land-locked and Transit Developing Countries and Representatives of Donor Countries and Financial and Development Institutions, New York, 18-20 June 1997" (TD/B/44/7 - TD/B/LDC/AC.1/11).

252. The **Officer-in-charge of the Office of the Special Coordinator for Least Developed, Land-locked and Island Developing Countries** said that the activities of UNCTAD in favour of land-locked developing countries included a review of progress in the development of transit systems in land-locked and transit developing countries. One of the most important developments had been the general commitment by Governments to minimize interventionist policies in the management of transit transport operations by encouraging a greater role for the private sector. Many of the land-locked and transit countries had taken initiatives to commercialize transit transport operations by encouraging more liberal transit transport policies and providing a legal framework that permitted transport institutions to be more market-oriented. These initiatives would contribute greatly to greater transit transport efficiency, better-quality transit services and lower transit transport costs. Another important activity concerned the convening of a consultative meeting between land-locked and transit developing countries in North-East Asia, held in Ulaan Baatar, Mongolia. Mongolia's transit neighbours, namely China and the Russian Federation, had participated in this meeting, whose outcome was an agreement on the elements for a transit transport policy and an operational framework which would help establish a viable environment for transit transport operations.

253. The Meeting of Governmental Experts from Land-locked and Transit Developing Countries and Representatives of Donor Countries and Financial and Development Institutions, held in New York in June 1997, had adopted a range of conclusions and recommendations that provided a basis for further improvement of transit transport infrastructure facilities and services and for a new transit transport policy orientation geared towards more market-oriented transit transport operations. The donor community was called upon to provide expanded assistance to assist the land-locked and transit countries in this regard.

254. The spokesperson for the **land-locked developing countries** (Mongolia) said that land-locked developing countries continued to bear a heavy burden in terms of transport costs, largely because of their geographical disadvantages, and this adversely affected their global competitiveness in world markets. In recent years, however, the land-locked and transit developing countries had adopted concrete measures to improve their transit transport policy framework with a view

to liberalizing transit transport services. These measures, together with the assistance of the donor community to improve the transit transport infrastructure, had greatly contributed to the improvement of transit transport systems. Much more, however, needed to be done in this regard. The UNCTAD secretariat had undertaken a number of activities to assist the land-locked developing countries and their transit neighbours to improve transit transport efficiency.

255. The Meeting of Governmental Experts from Land-locked and Transit Developing Countries and Representatives of Donor Countries and Financial and Development Institutions, which had reviewed progress in the implementation of the Global Framework for transit transport cooperation, had outlined the measures that had been taken at the national, subregional and international levels to improve transit transport infrastructure facilities and services. The Meeting had also addressed policy initiatives to commercialize transit transport operations and to enhance private sector involvement in some transit activities. The conclusions and recommendations adopted by the Meeting covered a number of areas, including the improvement and maintenance of transit transport infrastructure, the improvement of transit management practices and transport logistics, the strengthening of subregional and bilateral transit agreements, the promotion of capacity-building in institutions dealing with transit transport, and the promotion of manpower capabilities at all levels of transit transport operations. They also addressed transit transport policy issues and identified priority areas for support from the donor community, including technical assistance from bilateral and multilateral donor agencies to subregional organizations dealing with transit transport issues. These conclusions and recommendations of the Meeting had the full support of the land-locked developing countries.

256. The UNCTAD secretariat was highly commended for its continued work in favour of land-locked developing countries and was requested to continue to attach high priority to this work. The level of resources devoted to the work should be increased so that the General Assembly mandate in favour of land-locked countries could be implemented effectively.

257. The representative of **Turkey**, referring to the work of UNCTAD on behalf of the Central Asian republics and their transit neighbours, sought clarification about the cooperative arrangements between UNCTAD and other institutions in this work, particularly the regional economic commissions.

258. The representative of **Burundi** said that the economic regression in the LDCs and the problems being faced by land-locked developing countries, many of which were also least developed countries, needed to be addressed more effectively by the international community. Political rivalries between leaders had led to conflicts in several countries, and these conflicts had in many cases resulted in sharp economic deterioration. UNCTAD should continue to contribute to global efforts to secure peace and security, which were the principal conditions for trade and development.

259. Burundi had in recent years faced serious problems which were partly related to its being a land-locked country. These problems had been compounded by the embargo that had been imposed by its neighbouring countries, in contravention of international law. The situation in Burundi was now characterized by civil war, economic blockade and increased poverty, and the international community was called upon to bring this situation to an end.

260. The representative of **Zambia** acknowledged the efforts which had been made by the land-locked developing countries and their transit neighbours to overcome transit transport constraints. Such efforts had, however, not been sufficient due to lack of adequate resources. Given the anticipated improved market access for developing countries, particularly for those which were also least developed, transit transport systems would increasingly assume a critical role in determining the participation of land-locked countries in international trade. The donor community should therefore increase financial and technical assistance designed to improve transit transport systems, so that these countries could benefit fully from greater integration into the world's trading systems.

261. The representative of the **Russian Federation** noted that the activities carried out by UNCTAD on behalf of the land-locked developing countries were also relevant to transit countries because they would strengthen existing transit transport cooperative arrangements. The Russian Federation had been actively involved in the consultative meeting held in Ulaan Baatar with the participation of Mongolia and China. The meeting had paved the way towards increased transit transport cooperation among the three countries. The current transit transport constraints faced by land-locked developing countries should be addressed not only through the improvement of the physical transit infrastructure but also through the streamlining of transit transport logistics, which would include improving customs and administrative procedures for the movement of transit cargo. The land-locked and transit countries should also give priority to adherence to international conventions related to transit transport.

262. The representative of **Uganda** commended UNCTAD's continued leadership in promoting the cause of land-locked developing countries. UNCTAD's work in support of the land-locked and transit countries in the East/Central African subregion was particularly appreciated. In seeking long-term solutions to the problems of land-locked developing countries, it was important to give priority to regional economic integration arrangements such as the Common Market for Eastern and Southern Africa (COMESA) and the East African Cooperation Treaty, which provided a framework for common initiatives to improve transit transport policy and planning. The international community should provide further assistance to strengthen regional cooperation arrangements. At the national level, UNCTAD had spearheaded work on the establishment of ASYCUDA and the Advance Cargo Information System (ACIS), as well as providing ongoing support to the Permanent Secretariat of the Northern Corridor Transit Transport Authority.

263. As a result of the recent measures taken by the land-locked and transit countries in the East and Central African subregion, there had been a significant increase in the volume of transit traffic. These measures included significant investment in transport infrastructure, the construction of inland container depots, greater cooperation between railway systems, and the removal of non-physical barriers to transit transport through the streamlining of customs and documentation procedures and transit regulations. The Governments in the subregion were giving high priority to the maintenance of the transit transport infrastructure.

264. The spokesperson for the **African Group** (South Africa) commended the work of the secretariat on behalf of the land-locked developing countries and noted that this work was also very relevant to transit countries. Transit problems were receiving increased attention within the framework of subregional organizations, which provided a viable framework in which to address transit

issues. UNCTAD should therefore continue to collaborate with these regional institutions.

265. The representative of **Paraguay** commended the work of UNCTAD in respect of land-locked developing countries. Paraguay was involved in the implementation of a waterway project which would allow its access to the sea. It was also involved in promoting free trade zones and ports in the region. He called upon UNCTAD to provide assistance in these areas.

266. The representative of **Nepal** emphasized the special difficulties encountered by land-locked countries within the context of globalization and the competition in world markets because of their geographical disadvantages. At the same time, the land-locked and transit countries had made significant progress in enhancing cooperative arrangements at the subregional level through the development of transit facilities and with the support of the donor community. Nepal had recently concluded an agreement with India for a new transit route through Fulbari in India to Banglabandh in Bangladesh, which had come into operation in September 1997. This route was expected to greatly assist Nepal's continued endeavours to integrate itself into the global economy. UNCTAD's work in support of land-locked developing countries was highly commended, and adequate manpower resources must be made available to enable UNCTAD to continue to carry out its mandate. The conclusions and recommendations of the Meeting of Governmental Experts deserved active support.

267. The representative of the **UNCTAD secretariat**, responding to Turkey, said that UNCTAD, with the financial support of UNDP, had launched its Central Asian programme with the full cooperation of the regional economic commissions and other multilateral financial institutions and subregional organizations. The first initiative undertaken in this regard had been the organization of a technical meeting held in Ankara, Turkey, in 1995. The meeting had elaborated a programme of work designed to improve cooperative transit transport arrangements in the region. The outcome of the meeting had enabled UNCTAD to elaborate a transit transport framework agreement, which would be negotiated in November 1997 in Ashgabad, Turkmenistan. The negotiated text of the agreement would be submitted to a ministerial meeting in mid-1998.

Action by the Board

268. At its 889th plenary meeting, on 21 October 1997, the Trade and Development Board took note of report of the Meeting of Governmental Experts from Land-locked and Transit Developing Countries and Representatives of Donor Countries and Financial and Development Institutions (TD/B/44/7 - TD/B/LDC/AC.1/11), endorsed the conclusions and recommendations contained in annex I of the report, and decided to submit the report, together with the "Progress report by the UNCTAD secretariat" (TD/B/44/9), to the General Assembly at its current session.

(b) Progressive development of the law of international trade: thirtieth annual report of the United Nations Commission on International Trade Law

269. For its consideration of this subitem, the Board had before it the following documentation:

"Note by the UNCTAD secretariat" (TD/B/44/13);

"Report of UNCITRAL on the work of its thirtieth session" (A/52/17).

270. The **Senior Legal Adviser**, introducing the item, said that in 1966, the General Assembly had established UNCITRAL with the mandate to further the progressive harmonization and unification of the law of international trade, and UNCITRAL was today the core legal body within the United Nations system in the field of international trade law. The work of UNCITRAL was of interest to the work of UNCTAD and vice versa, and it was for that reason that the General Assembly had decided, in its resolution 2205 (XXI) of 17 December 1966, that UNCTAD and UNCITRAL should maintain close collaboration and that the annual report of UNCITRAL should be submitted to the Board for comments or recommendations. The work of UNCITRAL, particularly with respect to electronic commerce, receivables financing and privately financed infrastructure projects, was relevant to UNCTAD's current work on business facilitation, enterprise development and electronic trade. Cooperation between UNCITRAL and UNCTAD was desirable in order to ensure complementarity in the work of the institutions.

271. He submitted the following procedural proposals for greater cooperation. The head of the UNCITRAL secretariat had indicated his readiness to be in Geneva to present UNCITRAL's annual report to the Board in 1998 and to give delegates any information which they may require on the work of UNCITRAL. UNCITRAL had agreed to participate in the second session of the Commission on Enterprise, Business Facilitation and Development, which would be held from 1 to 5 December 1997 in Geneva. The secretariat would invite UNCITRAL to participate in the Symposium on Partners for Development, which the Secretary-General of UNCTAD would convene in Lyon from 9 to 12 November 1998. And the UNCTAD secretariat should monitor those projects of UNCITRAL that were relevant to the ongoing work of UNCTAD and inform the Board and its subsidiary bodies in that respect.

272. The representative of **Hungary** said that he welcomed the proposals of the secretariat, though it was to be regretted that the work of trade law experts had not been properly presented to the Board in the past, with the result that that work had not received the necessary attention in the practical work of the trading community. What was important was that newly established legal solutions developed by UNCITRAL to tackle problems arising in a changing trading environment should become widely known and utilized. For example, UNCITRAL had lately drawn up a model law on electronic commerce which would help efforts to gain acceptance of non-paper documents in international trade, and UNCTAD should examine the implications of that initiative. His country was studying the model law and hoped to draw up national legislation on that basis.

273. The spokesperson for the **African Group** (South Africa) said that his Group supported the proposals put forward by the secretariat and looked forward to the contribution that UNCITRAL could make to UNCTAD's work, especially within the framework of the Commission on Enterprise, Business Facilitation and Development.

274. The spokesperson for **Group D** (Bulgaria) said that UNCITRAL was an important and useful body. Cooperation between UNCTAD and UNCITRAL would be beneficial for all members of UNCTAD, including developing countries and economies in transition. His Group therefore supported the proposals of the secretariat.

275. The spokesperson for the **Latin American and Caribbean Group** (Peru) said that his Group supported the secretariat's proposals for even closer cooperation between UNCTAD and UNCITRAL. UNCITRAL's work in general and on the model law for electronic commerce in particular was very important in terms of enhancing trade among countries in the future.

276. The spokesperson for the **Asian Group and China** (Sri Lanka) said that the secretariat's proposals were timely in view of the increasing importance of UNCITRAL's work as it related to UNCTAD's areas of activity. His Group supported the secretariat's proposals in principle, but it wished to emphasize that it would be important not only to become better acquainted with UNCITRAL's work but also to see how UNCTAD could contribute to that work. The cooperation between the two bodies must be mutually reinforcing, and in that connection UNCTAD should participate in the next session of UNCITRAL, to be held in June 1998.

Action by the Board

277. At its 889th plenary meeting, on 21 October 1997, the Trade and Development Board took note of the report of UNCITRAL on the work of its thirtieth session and agreed to the proposals made by the Senior Legal Adviser, according to which:

(a) The head of the UNCITRAL secretariat would be invited to present the annual report of UNCITRAL to the Board in 1998 and to provide delegations with any information that they might require on the work of UNCITRAL;

(b) UNCITRAL would be invited to participate in the second session of the Commission on Enterprise, Business Facilitation and Development, to be held in Geneva from 1 to 5 December 1997;

(c) The UNCTAD secretariat would invite UNCITRAL to participate in the Symposium on Partners for Development, which the Secretary-General of UNCTAD would convene in Lyon from 9 to 12 November 1998;

(d) The UNCTAD secretariat should monitor those projects of UNCITRAL that were relevant to the ongoing work of UNCTAD and inform the Board and its subsidiary bodies in that respect.

Chapter VI

INSTITUTIONAL, ORGANIZATIONAL, ADMINISTRATIVE AND RELATED MATTERS

(Agenda item 8)

Progress report by the Secretary-General of UNCTAD on the trust fund to enhance participation of developing countries' experts in UNCTAD meetings

278. For its consideration of this item, the Board had before it the following documentation:

> "Progress report by the Secretary-General of UNCTAD on the trust fund to enhance participation of developing countries' experts in UNCTAD meetings" (TD/B/44/CRP.2).

279. The **Deputy Secretary-General of UNCTAD** said that the trust fund had now been established, though so far no contributions had been received. With regard to savings resulting from improved cost-effectiveness achieved pursuant to the ninth session of the Conference, some of these savings had been restituted through section 20 of the regular budget, which related to technical cooperation.

280. The spokesperson for the **Latin American and Caribbean Group** (Peru) said that, in the seven expert meetings that had been held so far, his Group had been represented by an average of five experts per meeting, as compared with 16 per meeting for the developed countries and nine per meeting for the economies in transition. The Secretary-General of UNCTAD should therefore continue his efforts to obtain contributions to the trust fund, and he should report on the situation to the executive session of the Board in March 1998, giving statistics on the participation of experts and the related costs for each region.

281. The question of funding experts should be seen in the context of efforts to incorporate the results of expert meetings into the work of the Commissions. If developing countries were inadequately represented in expert meetings, their interests would not be properly reflected in the outcome of the Commissions, which would therefore be unbalanced. The participation of developing country experts in meetings should be financed from the regular budget, and in that connection he requested confirmation of the savings achieved in 1997 as a result of the reduced number of meetings. The question of the participation of developing country experts should be borne in mind during the Board's mid-term review, because the low level of participation of developing country experts reduced the effectiveness of UNCTAD meetings.

282. The spokesperson for the **Asian Group and China** (Sri Lanka) said that his Group appreciated the efforts of the Secretary-General of UNCTAD with regard to the trust fund but regretted very much that no contributions had yet been received. Every effort should be made to enhance the participation of developing country experts in meetings in order to ensure the qualitative contribution of developing countries to the discussions.

283. The spokesperson for the **African Group** (South Africa) deplored the fact that there had been no contributions to the trust fund. African countries had attended as many expert meetings as possible in order to show their interest and to encourage countries in a position to do so to contribute to the fund. Unfortunately, there had been no response. The figures on attendance at expert meetings referred to by the Latin American and Caribbean Group spoke for themselves, and it was therefore hoped that the Secretary-General of UNCTAD would pursue his efforts to attract contributions to the trust fund.

Action by the Board

284. At its 889th plenary meeting, on 21 October 1997, the Trade and Development Board took note of the "Progress report by the Secretary-General of UNCTAD on the trust fund to enhance participation of developing countries' experts in UNCTAD meetings" (TD/B/44/CRP.2) and requested the Secretary-General of UNCTAD to continue his efforts in this endeavour and to make a further progress report on this subject to the seventeenth executive session of the Board in 1998.

Chapter VII

OTHER BUSINESS

(Agenda item 9)

(a) Report of the Pilot Seminar on the Mobilization of the Private Sector in order to Encourage Foreign Investment Flows towards the LDCs

285. For its consideration of this subitem, the Board had before it the following documentation:

> "Report of the Pilot Seminar on the Mobilization of the Private Sector in order to Encourage Foreign Investment Flows towards the LDCs" (TD/B/SEM.2/3).

286. The representative of **Bangladesh** said that if, in accordance with the recommendations of the Pilot Seminar (TD/B/SEM.2/3, annex I, para. 3(b)), regional seminars were to be organized by UNCTAD and UNIDO, his country would be pleased to host a seminar for LDCs.

Action by the Board

287. At its 889th plenary meeting, on 21 October 1997, the Trade and Development Board endorsed the recommendations contained in annex I of the report of the Pilot Seminar (TD/B/SEM.2/3).

(b) Commission on Investment, Technology and Related Financial Issues, second session: recommendations of the Commission regarding the convening of expert meetings

288. For its consideration of this subitem, the Board had before it the following documentation:

> "Commission on Investment, Technology and Related Financial Issues, second session: recommendations of the Commission regarding the convening of meetings at the expert level" (TD/B/44/L.2/Rev.1).

289. The **Vice-Chairman of the Commission on Investment, Technology and Related Financial Issues**, introducing the item, said that the Commission had recommended convening four meetings at the expert level in 1998. It should be noted that the fourth issue affected not only developing countries but also economies in transition.

290. The representative of the **United States of America** said that, if the Board endorsed the Commission's recommendation now, it would be closing out options that might come from the other two Commissions, which had not held their second sessions yet. He asked for clarification.

291. The **Secretary of the Trade and Development Board** confirmed that, by endorsing the Commission's recommendations, the Board would, by implication, be deciding that the other two Commissions would have up to three expert meetings each. However, it was important to take a decision on the recommendations before the Board, since preparations for the expert meetings must begin.

292. The representative of **Mexico** drew attention to the opinion of the Office of the Legal Counsel of the United Nations of 29 May 1997 by which it was recognized that there was a difference in legal status between expert meetings established by virtue of paragraph 114 of "A Partnership for Growth and Development" and the two intergovernmental groups of experts set up by the General Assembly and ECOSOC.

293. The representative of **Turkey** said that if the two intergovernmental groups of experts were to be counted as expert meetings of the Commission on Investment, Technology and Related Financial Issues each year, the Commission would only have one or two expert meetings relating directly to its activities.

294. The representative of **Peru** said that the recommendations of the Commission were perfectly consistent with "A Partnership for Growth and Development", according to which, after the first year following Midrand, the Board was to review the distribution of expert meetings among Commissions, taking appropriate account of the recommendations of the Commissions in this regard.

295. The representative of **Luxembourg**, speaking on behalf of the **European Union**, said that the European Union had no difficulty with the recommendation of the Commission. With regard to the two intergovernmental groups of experts, while their status was different from that of expert meetings, in terms of numbers they should be included each year among the 10 expert meetings mandated by UNCTAD IX.

Action by the Board

296. At its 889th plenary meeting, on 21 October 1997, the Trade and Development Board decided to approve the convening of the four meetings stipulated in document TD/B/44/L.2/Rev.1, as follows:

(i) Examination and review of existing regional and multilateral investment agreements and their development dimensions in pursuance of the mandate of paragraph 89(b) of "A Partnership for Growth and Development";

(ii) Environmental accounting: examination of national standards and regulations for environmental financial accounting, and identification of key environmental performance indicators and their relation to financial performance (Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting);

(iii) Competition law and policy (Intergovernmental Group of Experts on Restrictive Business Practices);[1/]

(iv) The growth of domestic capital markets, particularly in developing countries, and its relationship with foreign portfolio investment.

297. The **President** drew the attention of the Board to the fact that, for 1998, the Commission on Investment, Technology and Related Financial Issues would have four meetings at the expert level out of the annual total of 10 expert meetings approved by the Conference at its ninth session. This meant that the other two Commissions could convene up to three expert meetings each in 1998.

[1/] The specific topic for this meeting will be recommended in November 1997.

Chapter VIII

STATEMENTS MADE AT THE CLOSING PLENARY MEETING ON 22 OCTOBER 1997

298. The **Secretary-General of UNCTAD** said the secretariat believed that the challenges of constructive policy dialogue and formulation by member States had been met at the Board's session. For the first time in many years, agreed conclusions had been reached on all the substantive items on the agenda, and the policy content of the agreed conclusions was fairly significant.

299. On interdependence, there was a general consensus that greater integration into the globalizing world economy was the ultimate objective of all countries and that this process would bring benefits, but the Board had recognized the need to manage the integration process so as not to generate growing income gaps within and among countries and the need to pay special attention to the requirements of developing countries. This message represented a significant policy conclusion and illustrated the role of UNCTAD as a source of policy development, consensus-building and guidelines for action by the international community and national policy-makers.

300. On LDCs, the Board had made a recommendation to the General Assembly regarding a Third United Nations Conference on the Least Developed Countries and had proposed giving UNCTAD the responsibility of preparing and organizing the Conference once again. UNCTAD would spare no effort in that respect and would take an innovative approach in order to avoid a repetition of old complaints. The Conference must give added value.

301. With regard to the agreed text relating to policy reforms in agriculture and their implications for LDCs' development, UNCTAD would seriously pursue the tasks entrusted to it in the areas of both agriculture in LDCs and countries in regress. In that connection, he expressed gratitude to the countries that had contributed generously to the LDC Trust Fund; he was confident that the members of UNCTAD would respond positively to the Committee's request to make further contributions to the Fund with a view to enabling the UNCTAD secretariat to implement integrated country programmes in more LDCs.

302. The conclusions on Africa covered a broad range of Africa's economic problems and pointed to action required by the international community to address these problems. The need for investment in human and physical infrastructure was linked to the resource requirements of Africa, a speedy and substantial reduction of the debt overhang problem was recognized as crucial, and there was a call for agreement to allow the greatest number of African countries to benefit from the HIPC initiative. He intended to take action on that by conveying to the Managing Director of IMF and the President of the World Bank the results of the Board's discussion on this issue. As far as the UNCTAD secretariat was concerned, it would provide the support called for by the Board, particularly to monitor the relationship between debt and the capacity of countries to generate savings for investment; to assist African countries in the Paris Club negotiations; and to explore ways and means of increasing resources for development, including foreign investment. An important challenge ahead was to integrate the specificities of the African dimension into the work programme of UNCTAD's Commissions and expert meetings.

303. The outcome of the session corroborated the gradual emergence of a new culture in UNCTAD. Beyond current efforts within the secretariat to renew itself, member States had just signalled their willingness to contribute to the revitalization of UNCTAD so as to enable it to be at the forefront of international and national policy-making. This was the result of creative synergies between member States and the secretariat, and it was particularly encouraging. However, the process of responding to the challenges of enhancing the policy function and the practical usefulness of UNCTAD was just beginning, and the expectations of different groups of developing countries had to be met, hence the need for a differentiated approach.

304. The secretariat counted on Governments to share these commitments with it and to implement agreed policies and measures that would converge towards development and global prosperity. This would enable UNCTAD's work to be characterized by action and constructiveness in the constant search for development.

305. The spokesperson for the **African Group** (South Africa) expressed profound satisfaction with the outcome of the Board. He noted the successful organizational changes that had been carried out in UNCTAD, as well as the constructive dialogue during the Board's session which had made it possible to reach agreed outcomes on all the main substantive items.

306. The spokesperson for the **least developed countries** (Bangladesh) said that the LDCs were pleased with the successful outcome of the Board. Considerable emphasis had been placed on LDC issues, and that was timely and appropriate. He welcomed the fact that the Board had recommended the convening of a Third United Nations Conference on the LDCs, and he looked forward to the adoption at the Conference of an action-oriented programme for the LDCs for the first decade of the new millenium. It was to be hoped that the secretariat would actively follow up the decisions taken at the Board's session.

307. The spokesperson for **Group D** (Bulgaria) said that the Board had made a good start, and the prospects for UNCTAD were clearly positive.

308. The spokesperson for the **Latin American and Caribbean Group** (Peru) said that his Group was satisfied with the results of the Board's session, since agreed conclusions had been reached on the three most important issues before the Board. It was hoped that the Board would follow the same successful path in the future.

Annex

ATTENDANCE */

1. The following States members of UNCTAD, members of the Board, were represented at the session:

Afghanistan
Argentina
Australia
Austria
Bahrain
Bangladesh
Belarus
Belgium
Bhutan
Bolivia
Brazil
Bulgaria
Burundi
Cameroon
Canada
Chile
China
Colombia
Costa Rica
Côte d'Ivoire
Croatia
Cuba
Czech Republic
Democratic People's Republic of Korea
Denmark
Dominican Republic
Ecuador
Egypt
El Salvador
Ethiopia
Finland
France
Gabon
Georgia
Germany
Ghana
Greece
Guatemala
Guinea
Haiti
Honduras
Hungary
India
Indonesia
Iran (Islamic Republic of)
Ireland
Israel
Italy
Jamaica
Japan
Jordan
Kenya
Kuwait
Latvia
Lebanon
Libyan Arab Jamahiriya
Lithuania
Luxembourg
Madagascar
Malaysia
Mali
Malta
Mauritania
Mauritius
Mexico
Mongolia
Morocco
Myanmar
Nepal
Netherlands
Nicaragua
Nigeria
Norway
Oman
Pakistan
Panama
Paraguay
Peru
Philippines
Poland
Portugal
Qatar
Republic of Korea
Republic of Moldova
Romania
Russian Federation
Saudi Arabia
Senegal

---

*/ For the list of participants, see TD/B/44/INF.1.

Singapore
Slovakia
Slovenia
South Africa
Spain
Sri Lanka
Sudan
Sweden
Switzerland
Syrian Arab Republic
Thailand
The Former Yugoslav
Republic of Macedonia
Trinidad and Tobago
Tunisia
Turkey
Uganda
Ukraine
United Arab Emirates
United Kingdom of Great Britain
and Northern Ireland
United Republic of Tanzania
United States of America
Uruguay
Venezuela
Viet Nam
Yemen
Zambia

2. The following other State member of UNCTAD, not member of the Board, was represented as observer at the session:

Holy See

3. The Economic Commission for Europe, and the Economic Commission for Africa were represented at the session. The International Trade Centre UNCTAD/WTO was also represented at the session.

4. The following specialized agencies and related organization were represented at the session:

International Labour Organisation
Food and Agriculture Organization of the United Nations
World Health Organization
International Monetary Fund
United Nations Industrial Development Organization

The World Trade Organization was also represented at the session.

5. The following intergovernmental organizations were represented at the session:

African, Caribbean and Pacific Group of States
Arab Labour Organization
European Community
European Free Trade Association
International Center for Public Enterprises in Developing Countries
Latin American Economic System
Organization of African Unity

6. The following non-governmental organizations were represented at the session:

General Category:

Friends World Committee for Consultation (Quakers)
Intenational Chamber of Commerce
International Confederation of Free Trade Unions
Third World Network
World Association of Small and Medium Enterprises

World Confederation of Labour
World Federation of United Nations Associations
World Vision International

Special Category

Consumers International

PANELLISTS

Globalization, income distribution and development

Mr. Paul Bairoch, Professor of Economics, University of Geneva, Switzerland
Mr. Richard Blackhurst, former Director of Research and Economic Analysis Division, World Trade Organization, Geneva, Switzerland
Mr. Deepak Nayyar, Professor of Economics, Jawaharlal Nehru University, New Delhi, India
Mr. William Pfaff, International Herald Tribune, Paris, France
Mr. Robert Rowthorn, Professor of Economics, Cambridge University, United Kingdom

UNCTAD's contribution to the implementation of the United Nations New Agenda for the Development of Africa in the 1990s: Performance, prospects and policy issues

Mr. Rashad Cassim, Director, Trade and Industrial Policy Secretariat, WITS, South Africa
Mr. Souis Amedee Darga, Stra Consult, Coromandel, Mauritius
Mr. Gerald Karl Helleiner, University of Toronto, Canada

LDCs in the context of the theme of the High-Level Segment

Mr. Nurul Islam, International Food Policy Research Institute (IFPRI), Washington, DC, United States of America
Mr. Idris Jazairy, Executive Director, Agency for Co-operation and Research in Development (ACORD), London, United Kingdom
Mr. Sid Ahmed Tayfour, General Manager, Saudi Sudanese Bank, Khartoum, Sudan

High-Level Segment

Globalization, competition, competitiveness and development

Mr. Geza Feketekuty, Director, Center for Trade and Commercial Diplomacy, Monterey, California
Mr. Dharam Ghai, Director General, United Nations Research Institute for Social Development (UNRISD)
Mr. Pedro Lizana, former Chairman, Society of Industrial Development (Chilean Federation of Industry)
Mr. Dani Rodrik, Professor of International Political Economy, John F. Kennedy School of Government, Harvard University
Mr. Carlos Ronderos, Minister of Foreign Trade of Colombia
Mr. Tariq Sayeed, Chairman, Group of 77 Chamber of Commerce and Industry of Developing Countries
Mr. François J.L. Souty, Rapporteur, Competition Board, Paris, France

Launching of the Partners for Development

Mr. R. Cazenave, Vice-President of the Regional Council of Rhône-Alpes with responsibility for international cooperation, Member of Parliament for Isère
Mr. André Soulier, Deputy Mayor of Lyon, Member of the European Parliament

---

كيفية الحصول على منشورات الامم المتحدة

يمكن الحصول على منشورات الامم المتحدة من المكتبات ودور التوزيع في جميع انحاء العالم . استعلم عنها من المكتبة التي تتعامل معها أو اكتب الى : الامم المتحدة ،قسم البيع في نيويورك او في جنيف .

如何购取联合国出版物

联合国出版物在全世界各地的书店和经售处均有发售。请向书店询问或写信到纽约或日内瓦的联合国销售组。

HOW TO OBTAIN UNITED NATIONS PUBLICATIONS

United Nations publications may be obtained from bookstores and distributors throughout the world. Consult your bookstore or write to: United Nations, Sales Section, New York or Geneva.

COMMENT SE PROCURER LES PUBLICATIONS DES NATIONS UNIES

Les publications des Nations Unies sont en vente dans les librairies et les agences dépositaires du monde entier. Informez-vous auprès de votre libraire ou adressez-vous à : Nations Unies, Section des ventes, New York ou Genève.

КАК ПОЛУЧИТЬ ИЗДАНИЯ ОРГАНИЗАЦИИ ОБЪЕДИНЕННЫХ НАЦИЙ

Издания Организации Объединенных Наций можно купить в книжных магазинах и агентствах во всех районах мира. Наводите справки об изданиях в вашем книжном магазине или пишите по адресу: Организация Объединенных Наций, Секция по продаже изданий, Нью-Йорк или Женева.

COMO CONSEGUIR PUBLICACIONES DE LAS NACIONES UNIDAS

Las publicaciones de las Naciones Unidas están en venta en librerías y casas distribuidoras en todas partes del mundo. Consulte a su librero o diríjase a: Naciones Unidas, Sección de Ventas, Nueva York o Ginebra.

Printed at United Nations, Geneva
GE.97-52310–December 1997–1,955

United Nations publication